



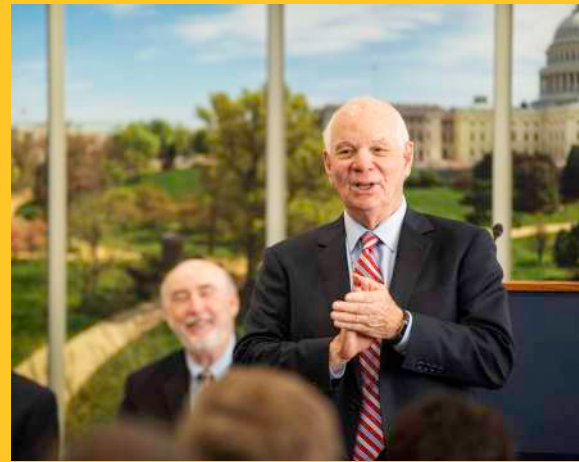
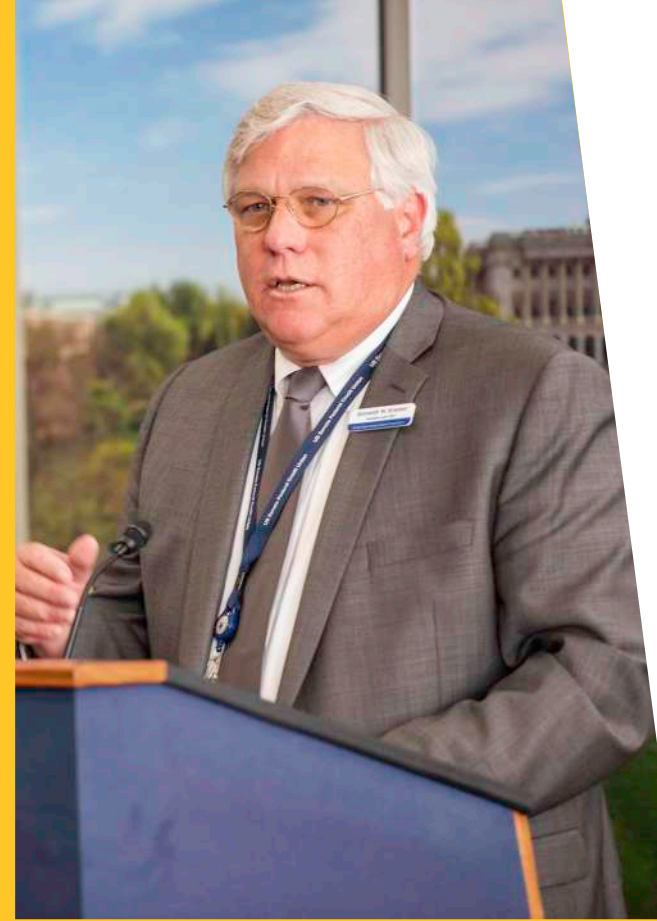
UNITED STATES  
SENATE FEDERAL  
CREDIT UNION

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ANNUAL  
REPORT



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It has been 84 years since nine forward-thinking people established the Senate Employees Federal Credit Union, for the purpose of “making more available to the people of small means and credit for provident purposes.” A lot has changed over these many years, but our **member commitment** remains firm. Whether it be a loan to fit member needs and budgets, a safe and secure place to grow savings or convenient and efficient means to transact business, our focus is on the financial well-being of the U.S. Senate community and our members.

During 2018, we **experienced significant growth**. Our strong financial results included 25% growth in Total Assets to \$840 million, return on average asset of 1.59% (above peer averages), and a net worth ratio of 10.75%, which is above the “well-capitalized” regulatory threshold of 7.00%. Our net interest margin was 4.51% (above peer group), non-interest income

ratio was 0.69% (below peer group), and non-interest expense ratio was 2.80% (below peer group).

We also continued to emphasize understanding members’ needs by asking questions, listening and taking actionable steps to better invest our excess liquidity, which ultimately drove improved monetary performance, funded initiatives to enhance member service and convenience, and provided higher value to you, our members.

The Credit Union continued its focus on prudent enterprise risk management—including the expansion of critical internal control areas, such as information technology (e.g., cyber security) and regulatory compliance. In 2018, we completed several initiatives, with the objective of expanding member service, convenience and value.


We are grateful for the opportunity to serve the U.S. Senate community

and our membership for the past 84 years, and are showing our gratitude by giving back to others, including monetary contributions and staff service commitments to several charitable organizations that support our local communities.

On behalf of the Board of Directors, management and staff, we thank you, our membership, for your continued support of the Credit Union.

Respectfully,

  
**Kenneth W. Kramer,**  
President and CEO

  
**Christopher D. Shunk,**  
Chairman of the Board

“ Our strong financial results included 25% growth in Total Assets to \$840 million, return on average assets of 1.59% (above peer averages), and net worth ratio of 10.75%, which is above the “well-capitalized” regulatory threshold of 7.00%. ”



During Calendar Year 2018, the United States Senate Federal Credit Union (USSFCU) Supervisory Committee consisted of five volunteers appointed by the Board of Directors (the Board). In accordance with the Federal Credit Union Act and USSFCU By-laws, the Supervisory Committee engaged external auditors to ensure that USSFCU's audited financial statements accurately represented its financial condition. The results of these audits showed that USSFCU complied with applicable laws and regulations.

### Financial

The Supervisory Committee engaged the independent accounting firm Doeren Mayhew CPAs and Advisors to render an opinion about the presentation of USSFCU's 2018 financial condition. Doeren Mayhew CPAs and Advisors will share the final report with the USSFCU Supervisory Committee and the Board.

### Internal Controls

The Supervisory Committee also engaged the independent auditors RSM US LLP to ensure that USSFCU not only complied with applicable regulations and requirements, but also that Management maintained an effective system of internal controls designed to provide reasonable assurance that assets were safeguarded against loss or unauthorized use. Throughout 2018, RSM US LLP made various control and procedural recommendations. These recommendations were discussed in quarterly reports to the Supervisory Committee and Management. Management reported to the Supervisory Committee that it satisfactorily addressed or is working to address RSM US LLP's recommendations that the Committee agreed were prudent or required. In addition, the Supervisory Committee asked RSM US LLP to review

specific areas of USSFCU's operations. The Supervisory Committee continues to receive the results of these evaluations and anticipates that Management will implement the additional controls and procedures recommended by RSM US LLP that the Committee considers prudent or required.

### Information Technology

The Supervisory Committee and Management also engaged Doeren Mayhew CPAs and Advisors to conduct a cyber security assessment as well as a control and risk audit directly focused on USSFCU's Information Technology (IT) operations. The Board and Management agree that data security is a high-level strategic directive to ensure membership data remains safeguarded. The control and risk audit provided the Committee with various recommendations that will continue to help strengthen data security and IT operations overall, as

USSFCU's technology team continues to work to mitigate data threats. In addition to the specific IT control and risk audit performed at the request of the Supervisory Committee, the IT Advisory Committee met quarterly to provide valuable external perspectives regarding technology security, technology policy, trends and data management to the Board, Supervisory Committee, and Management.

On behalf of the Supervisory Committee, I'd like to thank the USSFCU Board of Directors and staff for supporting our work to assure fiscal soundness for the benefit of our members. This Committee is proud to volunteer our time to serve you, our valued members.

Respectfully,

A handwritten signature in black ink, appearing to read "John S. Dutton".

**JOHN S. DUTTON**  
Chair, Supervisory Committee

# TREASURER'S REPORT



UNITED STATES  
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# ANNUAL REPORT



I am pleased to report that the financial performance of USSFCU remains very healthy and strong.

**As of December 31, 2018, total assets were \$840.0 million.**

Our net loan portfolio was \$658.4 million at December 31, 2018, and during 2018 we made \$286.0 million in new loans. Our loan delinquency and charge-offs have remained low during this reporting period and lending remains a high-level strategic goal.

Management's calculation of USSFCU's allowance for loan loss was reviewed by our internal and external audit firms, in addition to the National Credit Union Administration (NCUA). They have all indicated that our loan loss reserves continue to be conservatively stated to meet potential loan losses as of December 31, 2018.

Deposits increased to \$743.9 million at December 31, 2018.

The Board measures the strength of the credit union by means of total capital. USSFCU completed the year with a very strong capital position of \$89.4 million or 10.75% of assets. By all standards, we are well capitalized.

To maintain financial soundness, the Asset Liability Management Committee (ALCO), Management and the Board monitor financial activities on a monthly basis. We use both external and independent models to assess balance sheet risk, return and volatility over various rate cycles. USSFCU's balance sheet risk is currently considered "Low Risk," as calculated by an independent third party as well as our regulatory agency—the NCUA.

Management remains dedicated towards the accuracy and integrity of our financial statements and accompanying footnotes. Our financials are prepared in conformity with the United States'

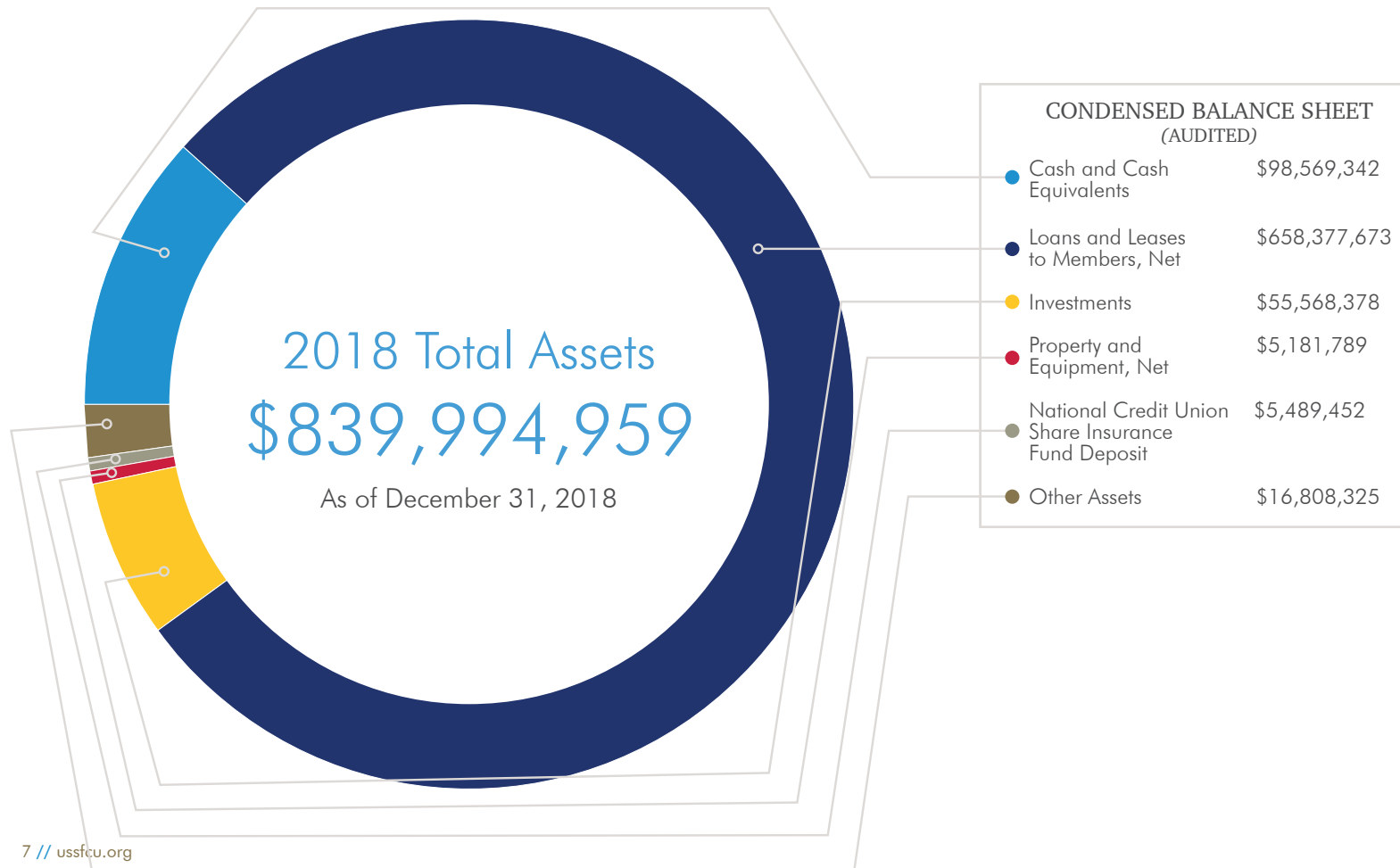
generally accepted accounting principles. USSFCU's independent auditor, Doeren Mayhew CPAs and Advisors, has completed the 2018 audit and again issued a favorable opinion. Audited 2018 financial statements are available at [ussfcu.org/financials](http://ussfcu.org/financials).

We continue to extend our thanks to you, our valued members, for placing your trust in the safety and soundness of USSFCU.

Respectfully,

  
Christopher C. Dey  
Board Treasurer

“ USSFCU completed the year with a very strong capital position of \$89.4 million or 10.75% of assets. By all standards, we are well capitalized. ”



## CONDENSED BALANCE SHEETS (AUDITED)

	As of December 31,	
	2017	2018
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 63,140,284	\$ 98,569,342
Loans and Leases to Members, Net	510,436,027	658,377,673
Investments	67,802,527	55,568,378
Property and Equipment, Net	4,801,969	5,181,789
National Credit Union Share Insurance Fund Deposit	4,732,075	5,489,452
Other Assets	22,827,469	16,808,325
<b>Total Assets</b>	<b>\$ 673,740,351</b>	<b>\$ 839,994,959</b>
<b>Liabilities and Members' Equity:</b>		
Members' Share Accounts	\$ 589,084,970	\$ 743,887,104
Accrued Dividends and Other Liabilities	6,109,150	6,661,351
<b>Total Liabilities</b>	<b>595,194,120</b>	<b>750,548,455</b>
<b>Total Members' Equity</b>	<b>78,546,231</b>	<b>89,446,504</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 673,740,351</b>	<b>\$ 839,994,959</b>

## CONDENSED INCOME STATEMENTS (AUDITED)

	As of December 31,	
	2017	2018
Interest on Loans	\$ 24,456,124	\$ 36,433,238
Interest on Investments	2,333,330	\$2,482,006
<b>Total Interest Income</b>	<b>26,789,454</b>	<b>38,915,244</b>
<b>Interest Expense</b>	<b>(2,475,871)</b>	<b>(5,679,858)</b>
<b>Provision for Loan and Lease Losses</b>	<b>(2,737,072)</b>	<b>(5,992,943)</b>
Net Interest Income after Provision Expense	21,576,511	27,242,443
<b>Non-Interest Income</b>	<b>5,115,082</b>	<b>5,115,252</b>
<b>Non-Interest Expense:</b>		
Compensation and Benefits	(11,116,233)	(11,893,053)
Office Operations	(3,613,316)	(4,195,053)
Other	(4,784,929)	(4,557,883)
<b>Total Non-Interest Expenses</b>	<b>(19,514,478)</b>	<b>(20,645,989)</b>
<b>Net Income</b>	<b>\$ 7,177,115</b>	<b>\$ 11,711,706</b>

These condensed financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of cash flows and changes in members' equity, and notes to financial statements, are available at the Credit Union office during normal hours of operation or through our website at [ussfcu.org/financials](http://ussfcu.org/financials).

# NOMINATING COMMITTEE REPORT



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In May of 2019, three (3) seats on the United States Senate Federal Credit Union (USSFCU) Board of Directors will expire, and one unexpired term, which has been temporarily filled by the Board of Directors, requires reconfirmation. Pursuant to Article V of the Senate Credit Union By-laws, a Nominating Committee was appointed by the Chairman of the Board to oversee this year's nomination and election process. This Committee is charged to find qualified candidates to fill existing or pending Board vacancies. This year's Nominating Committee consisted of myself, as Chairman, and Director Anthony "Tony" J. Zagami and Laura Parker as Committee Members.

I am pleased to inform you that upon application, the following candidates, who expressed their willingness and capability to serve on the Board of Directors, were considered by the Nominating Committee and found to be

highly qualified for Board service:

- » **Margaret "Margo" P. Rushing**, Director (Incumbent)
- » **Ileana Garcia**, CPA, Director (Incumbent)
- » **Tom Wacker**, Director (Incumbent)
- » **Jay Moore**, Director (Incumbent, temporarily appointed by the Board to fill the unexpired term of former Board Member, Timothy L. Anderson)

Nominations for expiring seats and vacancies could also have been made through signed petitions by obtaining the signatures of one percent (1%) of the membership (approximately 396 members in good standing). Petitions filed under this procedure had to be submitted to the Nominating Committee as of close of business on April 5, 2019. As of that date, there were no petitions submitted. Since the number of nominees

equaled the number of expiring terms and vacancies to be filled, a ballot election was unnecessary, and the four (4) nominees named above will be elected by acclamation.

Please join me in congratulating the nominees: Ileana Garcia, Jay Moore, Margo Rushing and Tom Wacker as they continue to volunteer their time and efforts to serve you, our valued members, on the Board of the United States Senate Federal Credit Union.

Respectfully,

**CHRISTOPHER C. DEY**  
Chairman, Nominating Committee



**ILEANA GARCIA**

Ileana Garcia, CPA has been a USSFCU member since 1997. Her service to our Credit Union includes serving as Secretary/Treasurer from 2009–2015 and as the Chairman of the Supervisory Committee from 2003–2006. Ileana is a Financial Clerk of the U.S. Senate with internal audit experience with a Fortune 500 company and external audit experience with a Public Accounting firm. She holds a B.S. in Business Administration.



**JAY MOORE**

Jay Moore has been a USSFCU member since 2000 and a member of the USSFCU Supervisory Committee since 2012. He is a retired U.S. Army Colonel, serving over 26 years as a Signal Corps Officer. Jay also has over 21 years of service in the Office of the U.S. Senate Sergeant at Arms CIO organization, while serving the last four years as the Director of Technology Development Services. He holds a B.S. in Applied Mathematics and an M.S. in Information and Computer Science, both from the Georgia Institute of Technology.



**MARGO RUSHING**

Margo Rushing has been a USSFCU member since 1973 and a Member of the Board of Directors since 2005. She currently serves on the Executive Committee and previously served as Chairman of the Nominating Committee. Margo has also volunteered on the Asset Liability Management Committee (ALCO). She served for over 33 years in the following Senatorial offices: Deputy Chief of Staff for Senator Conrad Burns; Administrative Director for Senator Chic Hecht; Office Manager for Senator S. I. Hayakawa and Legislative Secretary for Senator James Buckley. She has also chaired the U.S. Senate Republican Office Managers, Administrative Directors, Chief Clerks, Joint Meetings for Republican and Democratic Administrative Directors—and the Senate Steering Committee. She holds an A.S. in Business Administration from University of South Carolina and is a Georgetown Senior Executive Leadership Program graduate.



**TOM WACKER**

Tom Wacker has been a USSFCU member since 1983. His service to our Credit Union includes being a volunteer member of the USSFCU Asset Liability Management Committee since 2005, Chair of the USSFCU Asset Liability Management Committee since 2008 and an appointed member of the USSFCU Board of Directors since January 1, 2018. Previously, Tom served as a Legislative staff member for three former U.S. Senators. He is an advocacy and government/public relations professional, a Virginia real estate salesperson licensee and he holds a B.S. in Public Administration & Political Science from Wayne State College.

# TIMELINE OF ACCOMPLISHMENTS



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# 2018

- Online Loan Application Platform is LIVE
- Home Equity/HELOC Online Application available
- "Top 200 Healthiest Credit Unions" by Deposit Accounts
- Open additional account and apply for loans through Online Banking
- Members' Voice Survey Program launched giving members a vehicle to voice their opinion
- Offered the Top Jumbo 5-Year Share Certificate Rate in the Nation
- Extended Warranties available on Auto Loans
- Debt Protection Program launched

# 2019

- Offered the Top Jumbo 5-Year Share Certificate Rate in the Nation...AGAIN
- Ranked as the Top Performing Credit Union in the Nation by S&P Global Market Intelligence
- Updated our fleet of ATMs throughout the DC metro area
- Bank to bank loan payments available through Online Banking
- Expanded and enhanced our Mortgage department to better serve our members
- Ranked again as one of the "Top 200 Healthiest Credit Unions" by Deposit Accounts

## A Look to the Future

- FICO credit score available through Online Banking
- Open business accounts and apply for business loans online
- A new headquarters and branch located in Alexandria, VA
- Car Buying Service with True Car launching in Summer of 2019





## BOARD OF DIRECTORS

Christopher D. Shunk  
*Chairman*

Margaret "Margo" P. Rushing  
*Vice Chair*

Christopher C. Dey  
*Secretary/Treasurer*

Ileana Garcia, CPA  
*Director*

Judy Rainey  
*Director*

Jay Moore  
*Director*

Bertie Bowman  
*Director*

Anthony "Tony" J. Zagami  
*Director*

Tom Wacker  
*Director*

## EXECUTIVE COMMITTEE

Christopher D. Shunk  
*Chairman*

Margaret "Margo" P. Rushing  
Christopher C. Dey

### ALCO

Tom Wacker  
*Chairman*

Stephanie Magnell  
Jean Gilles  
Milton Salvador  
Christopher C. Dey  
Laura Parker  
Kenneth W. Kramer  
Kathy Dalfrey

### NOMINATING COMMITTEE

Christopher C. Dey  
*Chairman*

Anthony "Tony" J. Zagami  
Laura Parker

## SUPERVISORY COMMITTEE

John S. Dutton  
*Chairman*

Stephanie Magnell  
Jay McCarthy  
Jay Moore  
Ileana Garcia  
Kathy Dalfrey  
Douglas Haines

## IT COMMITTEE

Thom Cole  
*Chairman*

Vikram Kulkarni  
John S. Dutton  
Douglas Haines  
Kenneth W. Kramer

## EXECUTIVE MANAGEMENT

Kenneth W. Kramer  
*President/CEO*

Timothy L. Anderson  
*EVP/CRO*

Kathy Dalfrey  
*SVP/CFO*

Lori Wilkinson  
*SVP Human Resources & Training*

Douglas Haines  
*SVP Information Technology*

## MANAGEMENT TEAM

Christal Baylor <i>Assistant Branch Mgr.</i>	Arthur Green <i>Director of Marketing</i>	Laurie Moody <i>VP Member Services</i>	Mayela Salvador <i>Visa Supv.</i>
Angela Collier <i>VP Lending</i>	Denise Hayden <i>Director of Financial Planning &amp; Analysis</i>	Stefanie Mortenson <i>Director Human Resources</i>	Sam L. Shrestha <i>Branch Mgr.</i>
Leanne Deitz <i>Consumer Lending Mgr.</i>	Michael Kendra <i>Collections Mgr.</i>	Denis O'Donovan <i>VP Business Development</i>	Tina Smith <i>VP Support Services</i>
Sophia Fearwell <i>E-Services Mgr.</i>	Kelsey Kiser <i>Member Services Mgr.</i>	Kelli Pacilio <i>Real Estate Lending Mgr.</i>	Denise Tillery <i>Assistant Branch Mgr.</i>
Mark Fournier <i>IT Supervisor, Infrastructure</i>	Ernest Kushevski <i>IT Security Supv.</i>	Larry Parks <i>Loan Support Mgr.</i>	Karen Waterman <i>VP Risk Management</i>
Kimberly Fridley <i>Member Services Mgr.</i>	Chris Martin <i>IT Mgr.</i>	Jasmine Parr <i>Assistant Branch Mgr.</i>	
Pete Gotthold <i>Accounting Mgr.</i>	Morgan Middleton <i>Branch Mgr.</i>	James Ruley <i>VP Business Services</i>	



UNITED STATES  
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CREDIT UNION

## PURPOSE

To transform lives by making dreams happen.

## MISSION

To provide our members secure and convenient financial products and services at the best value, by competent, well-trained, and professional representatives.

## BRAND PROMISE

We are committed to providing member service, technology solutions and financial education that empower members to gain better control of their finances and achieve their dreams. This exemplifies our “better-together” philosophy.



## CULTURAL VALUES

### **Relationship and Service Focused.**

We create and maintain authentic and genuine relationships with members and employees.

### **Communication.**

We strive for proactive, clear and concise communication efforts.

### **Teamwork.**

We are truly “Better Together.” We are friendly, we laugh and we create a welcoming environment.

### **Ownership.**

We are accountable and find a way to “make it happen.”

### **Innovative.**

We are creative and take initiative to drive action. We think big picture and encourage risk-taking with sound judgment.

### **Forgiving.**

It is OK to make a mistake, from which we learn.



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[ussfcu.org](http://ussfcu.org)