VALLEY STRONG CREDIT UNION

2020 Annual Report



Tulare Branch, Opened 2020



North Visalia Branch, Opened 2020


Contact Center now available 7 days a week, 7 am to 7 pm


Tehachapi Branch, Coming 2021

Exceeding Expectations.

CTEC Branch, Opened 2020



Student MSR



EQUAL HOUSING LENDER

NCUA

Federally Insured by NCUA

A Message From The
Board of Directors and Management Team



Dr. Larry Reider
Chairperson, Board of Directors



Stephen P. Renock, IV
President/CEO

While this past year was a challenge for our world, as we were thrust into a health pandemic, Valley Strong Credit Union remained committed to the service of our Members and our community. The year 2020 provided our Credit Union the opportunity to demonstrate our core values: Member Focused, Integrity Led, Community Based and Solutions Driven. Whether it was our involvement in the PPP and Kern County Small Business Relief programs; where we provided $17 million in funds to local small business owners, or providing funding to local school districts to assist with technology needs for distance learning, or meeting the needs of our Membership for COVID-19 related loan deferrals or increasing sanitation and social distancing protocols at all of our facilities to protect the health of our Members and Team Members, we committed ourselves to service as we have for the last 83 years.

In addition to meeting these challenges head on, the Credit Union also focused on growth opportunities and the potential for new products and services for our Membership. In 2020 we opened branches in Tulare and Visalia as well as a new branch at the state-of-the-art Career Technical facility in Bakersfield. The Credit Union also broke ground on a new full-service branch in Tehachapi. Additional branches are planned as part of Valley Strong's expansion into our neighboring Northern counties. The Credit Union developed relationships with a number of financial technology companies; Upgrade, Figure, MUSA and Renofi, which provide our Membership new avenues for their lending needs.

The Credit Union's continued focus on financial safety and soundness allowed us to provide financial support to our Membership experiencing financial hardship in 2020. The Credit's net income for the year was $20 million and Valley Strong saw annual asset growth of $409 million. Asset growth for 2020 was approximately 23%; in large part due to the $189 million or 16% growth in loans (assets) and $375 million or 24% growth in deposits (liabilities).

In last year's address I discussed the strength, resilience, integrity and optimism of our Membership and these qualities were demonstrated over this past year. While our Members were not immune to the financial hardships experienced by the world, the Credit Union did not suffer significant losses because of the pandemic and Valley Strong set records for mortgage lending. Serving our Members in these milestone events is at the heart of the Credit Union's philosophy.

As we look to the future, Valley Strong has exciting growth planned. The recently announced merger with Solano First Federal Credit Union (SFFCU) will be completed during the second quarter of 2021. The Credit Union is excited about the opportunity to not only expand the Valley Strong footprint throughout California, but also to provide additional products and services to the current Membership of SFFCU. Valley Strong will grow from total assets of $1.8 billion at the end of 2020 to $3 billion by the end of 2021.

While growth is exciting, the benefit of the growth will be returned to our Membership. The future of Valley Strong Credit Union is bright, and we look forward to being a part of our Members financial futures as we return to a new normal together.

Supervisory Committee's Report



Troy Fringer
Chairperson

The Supervisory Committee is comprised of five volunteers from the membership of Valley Strong Credit Union. To remain proficient in Credit Union developments, all Supervisory Committee members attend monthly Board of Directors meetings, semi-annual strategic planning sessions, and various industry specific educational seminars and conferences. The Supervisory Committee has two primary responsibilities. First, to ensure Management's financial reporting is consistent with Generally Accepted Accounting Principles (GAAP). Second, to ensure Management's policies and procedures safeguard Members' assets. To accomplish these responsibilities, the Supervisory Committee engaged the services of Nearman, Maynard, and Vallez to perform the required financial statement audit and verification of Members accounts for the year ending December, 31, 2020. The 2020 annual financial statement audit is not finalized; therefore the financial statements presented in this Annual Report are not audited. The audited financial report will be completed during the second quarter of 2021. As of this time, based on the financial statement, internal audits, and regulatory examinations, the Supervisory Committee believes the Credit Union's financial condition and its internal controls are sound.

VALLEY STRONG CREDIT UNION

SUPERVISORY COMMITTEE

Troy Fringer, Chairperson
Dan Shannon, Member
Ken Gragg, Member
Ramon Hendrix, Member
Tenielle Tensley, Member

BOARD OF DIRECTORS

Dr. Larry Reider, Chairperson
Mike Kileen, First Vice Chairperson
Joe Drew, Second Vice Chairperson
Carl B.A. Lange, III, Treasurer
Joanne Mills, Secretary
Dr. James Fillbrandt, Director
Dr. Bryon Schaefer, Director
Dr. S. William Bruce, Director
Marilyn Jones, Director
Dr. Dennis Scott, Director

MANAGEMENT

Stephen P. Renock, IV
President/CEO

Nick Ambrosini
Executive Vice President, Chief Financial Officer

Steven R. Matejka
Executive Vice President, Chief Operations Officer

Mark Manns
Senior Vice President, Chief Human Resources Officer

Steve Roach
Senior Vice President, Chief Information Officer

Shonna Shearson
Senior Vice President, Operations

Chuck Smith
Senior Vice President, Chief Lending Officer

2020 | ANNUAL REPORT

Annual Statements

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31 (NOT AUDITED)

(000's Omitted)

INCOME	2019	2020
Interest on Members' Loans	$ 47,040	$ 50,694
Investment Income	12,525	11,094
Other Income	25,407	25,867
GROSS INCOME	**$ 84,972**	**$ 87,655**
EXPENSES		
Loan Loss Reserves	4,635	2,251
Other Operating Expenses	58,641	69,181
OPERATING EXPENSES	**$ 63,276**	**$ 71,432**
Income from Operations	$ 21,696	$ 16,223
Non-Operating Gains (Losses)	1,540	12,105
NCUSIF Recapitalization Expenses, Net	–	–
Income Before Dividends	20,156	4,118
Dividends & Interest Paid to Members	6,222	8,779
NET INCOME	**$ 17,015**	**$ 19,549**

STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31 (NIOT AUDITED)

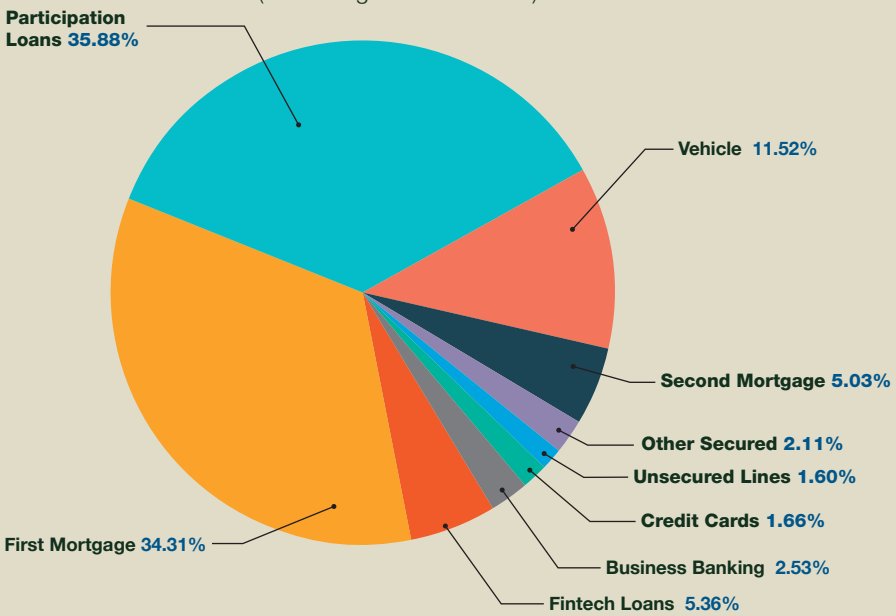
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ASSETS	2019	2020
Loans to Members, Net of Loss Reserves	$ 1,182,699	$ 1,371,942
Cash on Hand	140,681	300,257
Investments & Interest-Bearing Deposits	391,757	421,550
Interest Receivable	4,168	4,764
Premises & Equipment, Net of Depreciation	45,670	48,381
Other Assets	32,287	59,011
TOTAL ASSETS	**$ 1,797,261**	**$ 2,205,905**

LIABILITIES / SHARES / EQUITY		
Dividends Payable	$ 14,535	$ 4,848
Other Liabilities	21,588	40,700
Members' Shares	1,577,601	1,952,194
Restricted Earnings Reserve	49,836	49,836
Minority Interests in Consideration	-	-
Undivided Earnings & Unrealized Losses	133,701	158.328
TOTAL LIABILITIES & EQUITY	**$ 1,797,261**	**$ 2,205,905**

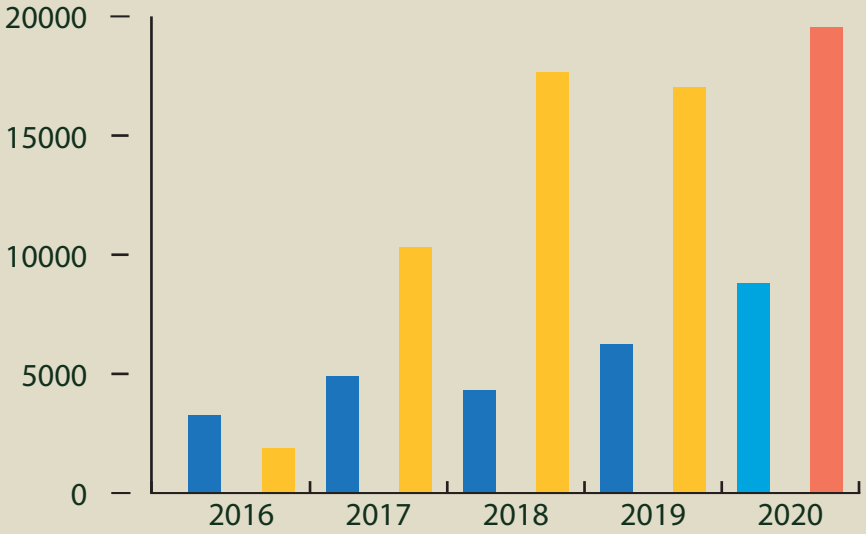
MEMBER LOANS

(Percentage of Total Loans)



MEMBER DIVIDENDS (Interest) AND NET INCOME

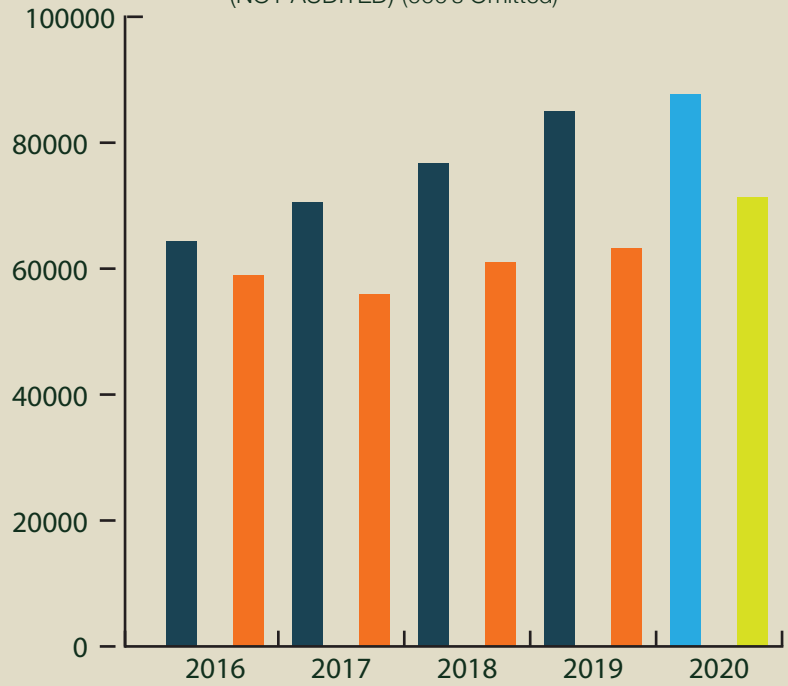
(NOT AUDITED)



	2016	2017	2018	2019	2020
Dividends	3,261	4,908	4,312	6,222	**8,779**
Net	1,877	10,291	17,648	17,015	**19,549**

GROSS INCOME AND OPERATING EXPENSES

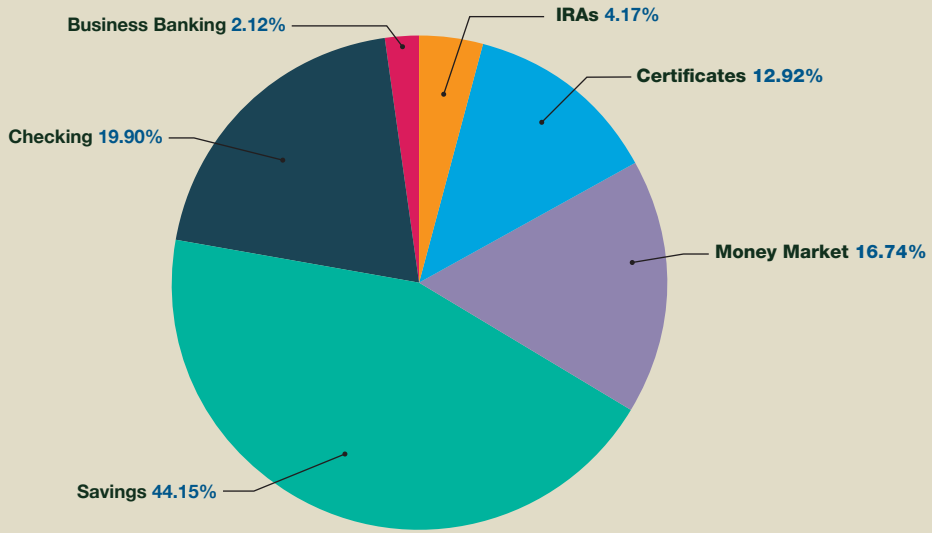
(NOT AUDITED) (000's Omitted)



	2016	2017	2018	2019	2020
Gross Income	64,355	70,629	76,779	84,972	**87,655**
Operating Expenses	58,903	55,913	61,070	63,276	**71,432**

MEMBER SHARES

(Percentage of Total Shares)



Eighteenth Annual Meeting Minutes | Valley Strong Credit Union · April 30, 2020

The Eighteenth Annual Meeting of Valley Strong Credit Union (formerly Kern Schools Federal Credit Union) was held at the Administrative Office in Bakersfield, California, on the evening of April 30, 2020. Dr. Larry Reider, Chairman of the Board of Directors, extended a very cordial welcome to all Members and guests as well as his sincere appreciation for their attendance.

Dr. Reider noted that at each place there is a 2019 Annual Report which contains the financial statement, Supervisory Committee Report, and the minutes of the 2019 Annual Meeting. A motion to accept these items will be required during the business portion of the meeting. The Chairman asked the group to please take a few minutes to review the reports.

Dr. Reider introduced Ms. Marilyn Jones, Board Member, who led the flag salute followed by the invocation.

Chairman Reider began the evening by introducing the Board of Directors: Ms. Marilyn Jones, present; because of COVID-19 restrictions the following Directors were absent: Mr. Mike Kileen, First Vice Chairperson; Mr. Joe Drew, Second Vice Chairperson, Mr. Carl B.A. Lange, III, Treasurer and Ms. Joanne Mills, Secretary, Dr. James Fillbrandt, Dr. S. William Bruce, Mr. Doug Miller, Dr. Dennis Scott and Dr. Bryon Schaefer. Supervisory Committee: Troy Fringer, Chairman, was present; the following Supervisory Committee Members were absent; Ken Gragg, Ramon Hendrix, Dan Shannon and Tenielle Tensley. Management: the following staff members were present; Steve Renock, President/CEO; Nick Ambrosini, EVP/Chief Financial Officer; Steve Matejka, EVP/Chief Operations Officer; Michael George, SVP/Chief Marketing, Innovation and Advocacy Officer; Mark Manns, VP Human Resources; Steve Roach, SVP/Chief Information Officer, Chuck Smith, SVP/Lending and Credit, and Shari Butler, Assistant to the President.

Pursuant to the Bylaws, at each Annual Meeting, an election is conducted to fill vacancies on the Board of Directors. The candidates running for re-election are Ms. Joanne Mills, Dr. S. William Bruce, Ms. Marilyn Jones and Dr. James Fillbrandt. A motion will be requested during the business portion of the meeting.

Chairman Reider called the business meeting to order at 6:05 pm. Chairman Reider introduced Troy Fringer, Chairman of the Supervisory Committee, to present the Supervisory Committee Report. Mr. Fringer stated that the Supervisory Committee had reviewed the financial statement of the Credit Union with our outside auditors and has prepared the Supervisory Committee report as contained in the 2019 Annual Report. The 2019 annual financial statement audit has been completed and the financial statements presented herein are audited.

As a result of the financial statement audit, internal audits, and regulatory examinations, the Supervisory Committee believes the Credit Union's financial condition and its internal controls are sound.

Dr. Reider stated that Valley Strong Credit Union has continued to grow the past year while still maintaining a strong focus on our Members. A great portion of the year was devoted to successfully completing our state charter conversion and name change; however, we also have remained dedicated to meeting our Membership's ever-changing needs with quality products and services. Throughout this past year, the Credit Union offered deposit and certificate promotions while also rolling out lending enhancements. Some of these key enhancements have included a year-round skip payment program, micro-loans, updated credit card rewards program and home construction loans. This past year also saw the launch of Valley Strong's new full-service Business Banking program.

Valley Strong is positioned to grow possibilities for our current Membership while also becoming the trusted financial institution of new Members across the Valley. In early 2020, Valley Strong eliminated nearly a dozen service fees, expanded Contact Center hours, and began the process of deploying a new ATM fleet. Indeed, these are just a few of the exciting improvements that will roll out throughout the year.

While 2019 was a year focused on future growth and possibility, our team members did not lose sight of the financial safety and sound practices that have led to more than 80 years of success and stability. The Credit Union focused on improving profitability to return as much benefit as possible to our growing Membership. With net income of $17 million and annual asset growth of $250 million, Valley Strong will be able to do just that. Asset growth for 2019 was approximately 16%, in large part due to the $58 million or 5% growth in loans (assets) and $212 million or 15% growth in deposits (liabilities). The remaining asset growth was driven by fixed asset improvements and deploying capital to prudent investment purchases.

Looking at 2020 and beyond, Valley Strong remains committed to serving the people of the Valley with the same strength, resilience, integrity, and optimism that we see reflected in them. While there will be challenges ahead that were unanticipated at the end of last year, the Credit Union will stand with its Members and commit to working together to achieve financial wellness for its Membership.

Eightieth
Annual Meeting Minutes

Valley Strong will continue to roll out new products and services to meet Membership needs, despite a financial landscape in 2020 that will be much different than projected. Whether it be streamlined processes for home loans and refinances, constant evaluation and improvement of our online and mobile platforms, employing new staff in our Visalia and Tulare branches, or opening additional branches in the northern counties to serve our growing Membership, the Credit Union will contribute to our local economy while also safeguarding and serving our Members' finances.

As the Credit Union and its Members continue to focus on success, Valley Strong will remain rooted in our commitment to quality financial products and services. We look forward to growing the possibilities of those who bank with us along with the communities we call home, so that we may build a prosperous future together.

Our President/CEO, Mr. Renock, returned to the podium. He would like to add his personal welcome to our Annual Meeting. This year was a year of growth for our Credit Union. We had asset growth of more than $250 million, and continued membership growth which helped us earn net income of $17 million while still providing significant value to our Members.

Last year was also a year of transition. We began the process of changing to a state charter, changing the name of our Credit Union and relaunching our Business Banking Services. Each of these were major undertakings and were completed successfully.

I would characterize 2019 as a financially successful year and as the year we positioned the credit union for sustained future growth.

While the new year 2020 started very well with our new charter and the launch of our new brand identity, we were thrown a very nasty breaking curve ball in mid-March, to use baseball terminology. The COVID-19 pandemic was unexpected and unprecedented.

Fortunately, we have business interruption and disaster recovery procedures in place that allowed us to face this crisis head-on.

We took measures to safeguard our Members and team members. For Members we closed some lobbies, extended drive-thru hours, expanded our digital services, granted loan forbearances, waived fees, and assisted many local small businesses with the government assisted SBA Payroll Protection Plan loans. For our team members we added sick time, hazard pay and flexible working conditions.

For our community we awarded more than $150,000 in grants to non-profit organizations both in Kern and Tulare Counties, so they could continue to offer needed services.

Our entire team responded magnificently to the challenges of continuing to help our Members and our community.

Looking to the future we know the current crises will end, we just don't know when. We are well positioned to embrace what's next. We will open at least two branches in Tulare County in 2020. We will have a new full-service branch in Tehachapi as well. We have hired a veteran executive to shepherd our Lending Division and our Business Banking Division is poised to grow aggressively.

We will continue to move forward through careful management of our resources, maintaining a strong capital position and remaining operationally resilient. We are here to help people and communities prosper and that is exactly what we will do.

Business Meeting:
Chairman Reider has verified by the attendance of 19 Members, that a quorum was present. The Chairman asked if there were any corrections to either the minutes or the Treasurers' Report contained in the 2019 Annual Report. Hearing none, the Chairman asked for a motion to accept the Minutes of the Seventy-Nineth Annual Meeting, the Financial Statement and the Supervisory Committee Report contained therein. It was moved by Mr. Michael George and seconded by Mr. Nicholas Ambrosini to approve the minutes and reports as indicated above. Motion carried.

Chairman Reider reported that this year we did not have an election and the ballot was composed of four incumbents: Dr. S. William Bruce, Dr. James Fillbrandt, Ms. Marilyn Jones and Ms. Joanne Mills. The Chairman asked for a motion to elect these candidates by acclamation. A motion was made by Ms. Marilyn Jones and seconded by Mr. Steve Renock to elect these candidates by acclamation. Motion carried. These three Board Members were congratulated on their election for an additional three-year term.

Dr. Reider called for any old business that needs to be discussed, followed by any new business. There was no old or new business presented. There being no further business to conduct, it was moved by Mr. Nicholas Ambrosini and seconded by Mr. Michael George to adjourn the meeting at 6:15 p.m. Motion carried.

VALLEY STRONG CREDIT UNION

BRANCH LOCATIONS

ARTISAN SQUARE BRANCH
1341 Allen Road

BUENA VISTA BRANCH
3300 Buena Vista Road, Ste. J

CTEC BRANCH
7301 Old River Road

DOWNTOWN BRANCH
2424 Chester Avenue

MING BRANCH
4530 Ming Avenue

MT. VERNON BRANCH
3901 Mt. Vernon Avenue

PANAMA BRANCH
5001 Panama Lane

RIVER RUN BRANCH
6101 Coffee Road

TOWN & COUNTRY BRANCH
8200 Stockdale Highway, Ste. P

DELANO BRANCH
1828 Cecil Avenue, Ste. A and B
Delano, CA 93561

TEHACHAPI BRANCH
821 Tucker Road, Ste. A and B
Tehachapi, CA 93215

TULARE BRANCH
1989 E. Prosperity Avenue
Tulare, CA 93274

VISALIA NORTH BRANCH
3030 N. Dinuba Boulevard, Ste. A
Visalia, CA 93291

HIGH SCHOOL BRANCHES
Career Technical Education Center
Frontier High School
Regional Occupational Center
Ridgeview High School
Stockdale High School
West High School

HOME LOAN CENTER
4530 Ming Avenue
(661) 833-7926

BUSINESS BANKING
(661) 833-7530

RETIREMENT & WEALTH MANAGEMENT GROUP
(661) 833-7730

CONTACT CENTER
(661) 833-7900 I (800) 221-3311
www.valleystrong.com

ADMINISTRATIVE OFFICES
11500 Bolthouse Drive • Bakersfield, CA 93311
P.O. Box 9506 • Bakersfield, CA 93389