

VALLEY STRONG CREDIT UNION

2021 | ANNUAL REPORT

"Looking Ahead"

EQUAL HOUSING LENDER

NCUA

Federally Insured by NCUA

VALLEY STRONG CREDIT UNION

SUPERVISORY COMMITTEE

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

BOARD OF DIRECTORS

Dr. Larry Reider, Chairperson
Mr. Mike Kileen, First Vice Chairperson
Mr. Joseph Drew, Second Vice Chairperson
Ms. Joanne Mills, Secretary
Mr. Carl B.A. Lange, III, Treasurer
Dr. Bill Bruce, Director
Dr. James Fillbrandt, Director
Ms. Marilyn Jones, Director
Ms. Valencia Jones, Director
Mr. Mark Moreno, Director
Dr. Bryon Schaefer, Director
Dr. Dennis Scott, Director

MANAGEMENT

Nick Ambrosini - President / Chief Executive Officer
Steve Matejka - EVP / Chief Operations Officer
Mirella Reznic - EVP / Chief Strategy Officer
Michael Duffy - Chief Advocacy Officer
Lindsay Reyes - SVP / Chief Financial Officer
Shonna Shearson - SVP / Operations
Steve Roach - SVP / Chief Digital Officer
Mark Manns - SVP / Chief Human Resources Officer
Erin Estelle - SVP / Chief Marketing Officer
Deanna Blaise - SVP / Member Business Services
Hena Raina - SVP / Chief Technology Officer
Chuck Smith - SVP / Chief Lending Officer
Lindsey Strange - SVP / Chief Retail Officer
Lauren Chiu - SVP / Chief Product Officer
Myrto Koimtzoglou - SVP / Chief Compliance Officer
Teri Nicholson - Executive Assistant to President / CEO

A Message From The Board of Directors



Dr. Larry Reider
Chairperson,
Board of Directors

There are naysayers who argue that 2021 was one of the worst years in our nation's history as we continued to battle the effects of Covid-19, the Capitol riots, and the fall of Afghanistan, to name just a few.

From a macro perspective, it is hard to argue that point. However, despite those significant headwinds, Valley Strong Credit Union performed at a record level, thanks to a strong leadership team and staff, and a bold strategic plan.

In fact, our balance sheet looked nothing short of amazing as the credit union exceeded all expectations. Consider these year-end metrics:

- Total assets: $3.45 billion, up from $2.2 billion (2020)
- ROA: 1.09%, up from .98%
- Net worth: 9.38%, up from 9.21%
- Net income: $30.8 million, up from $19.5 million

Even our loan growth was phenomenal as we generated more than $2 billion, exceeding last year's $882 million (both record years), all during a chaotic year where uncertainty reigned supreme. Simply stated, the numbers underscore the resiliency of our membership and our continued commitment to helping people and communities prosper.

We also expanded our geographic footprint, merging with Solano First Credit Union and Financial Center Credit Union. We opened new branches in Tehachapi, Porterville, and central Visalia bringing our total branch network to 29, covering a vast part of the Central Valley. There are now nearly 600 Team Members serving more than 260,000 Members.

The credit union provided more than $3 million in support of community organizations including Relay for Life, Beautiful Bakersfield, Women's Business Conference, and the B3K Prosperity Initiative, a public-private collaborative effort to develop a roadmap and investment plan for economic growth in Kern County. In addition, we donated $1 million to CSUB for a research fellowship grant and $2 million to Bakersfield College for the creation of the Valley Strong Energy Institute.

Much of what was accomplished last year was with an eye toward 2022. Our partnerships with community organizations, financial technology companies (fintechs), our reorganized team structure and "can-do" approach has us prepared for another successful year.

Thank you for your trust in us as the stewards of your financial future.

A Message From The
President / CEO and Supervisory Committee's Report



Nick Ambrosini
President / CEO

My leadership team often hears me say, "We are in the business of managing risk." You might be asking yourself, "Wait, what?"

Yes, we manage risk as part of our commitment to Members who entrust us to safeguard and grow their financial prosperity. Mergers / acquisitions, partnerships with financial technology companies (fintechs), and other emerging technology all offer the potential to improve the Member experience. Ease, ubiquity, and convenience will define our forward progress.

So what else is on tap for 2022? We are rolling out a reorganized team structure that emphasizes a growth mindset.

In January, we unveiled an updated Core Values program that highlights the importance of the Valley Strong team and their contributions to our continued success. Each Core Value – Everyone Counts, Own It, Innovate Boldly, and Embrace the Fun! – addresses a key element in the drive to attract talent and become a destination workplace.

More than 75% of our staff are women, and 50% of our senior leadership team represent the broad spectrum of diversity including women, people of color and race. And this is just the tip of the iceberg as we develop programs to support and celebrate our diversity of thought.

Finally, we are doubling down on our community involvement, not just where it started in Kern County, but across our geographic footprint. Supporting non-profits and the underserved is part of our mission. And wherever they may be – from Solano / San Joaquin counties to the north to Tulare / Kings counties farther south – we are your lifelong financial partner.



Troy Fringer
Chairperson

The Supervisory Committee is comprised of four 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, 2021.

The 2021 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 2022. 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.

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Statements

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31 (NOT AUDITED)

(000's Omitted)

INCOME	2020	2021
Interest on Members' Loans	$ 50,694	$ 71,606
Investment Income	11,094	10,939
Other Income	25,867	24,635
GROSS INCOME	**$ 87,655**	**$ 117,179**
EXPENSES		
Loan Loss Reserves	2,251	4,463
Other Operating Expenses	69,181	69,579
OPERATING EXPENSES	71,432	94,041
Income from Operations	$ 16,223	$ 23,138
Non-Operating Gains (Losses)	12,105	14,590
NCUSIF Recapitalization Expenses, Net	–	–
Income Before Dividends	4,118	8,547
Dividends & Interest Paid to Members	8,779	6,933
NET INCOME	**$ 19,549**	**$ 30,796**

STATEMENT OF FINANCIAL CONDITION

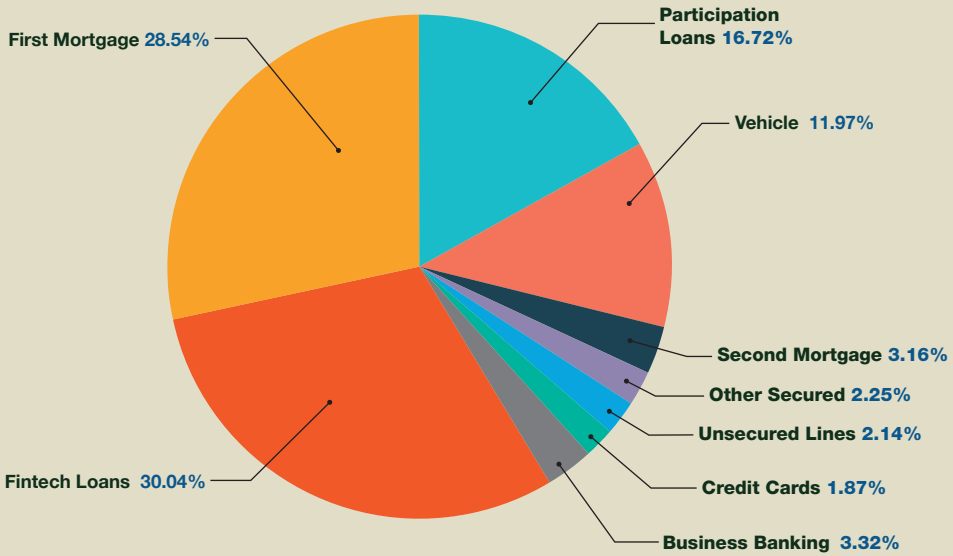
AS OF DECEMBER 31 (NIOT AUDITED)

(000's Omitted)

ASSETS	2020	2021
Loans to Members, Net of Loss Reserves	$ 1,371,942	$ 2,221,418
Cash on Hand	300,257	258,977
Investments & Interest-Bearing Deposits	421,550	800,481
Interest Receivable	4,764	8,288
Premises & Equipment, Net of Depreciation	48,381	68,604
Other Assets	59,011	94,021
TOTAL ASSETS	**$ 2,205,905**	**$ 3,451,790**
LIABILITIES / SHARES / EQUITY		
Dividends Payable	$ 4,848	$ 194
Other Liabilities	40,700	62,588
Members' Shares	1,952,194	3,052,973
Restricted Earnings Reserve	49,836	49,836
Minority Interests in Consideration	-	-
Undivided Earnings & Unrealized Losses	158,328	286,200
TOTAL LIABILITIES & EQUITY	**$ 2,205,905**	**$ 3,451,790**

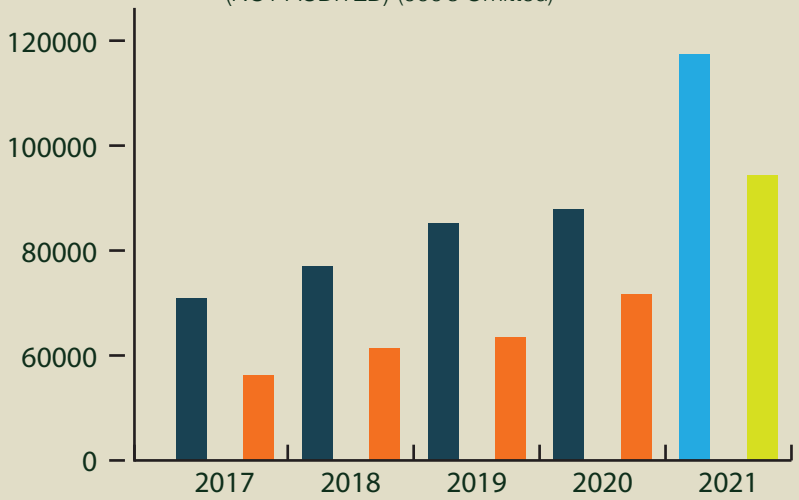
MEMBER LOANS

(Percentage of Total Loans)



GROSS INCOME AND OPERATING EXPENSES

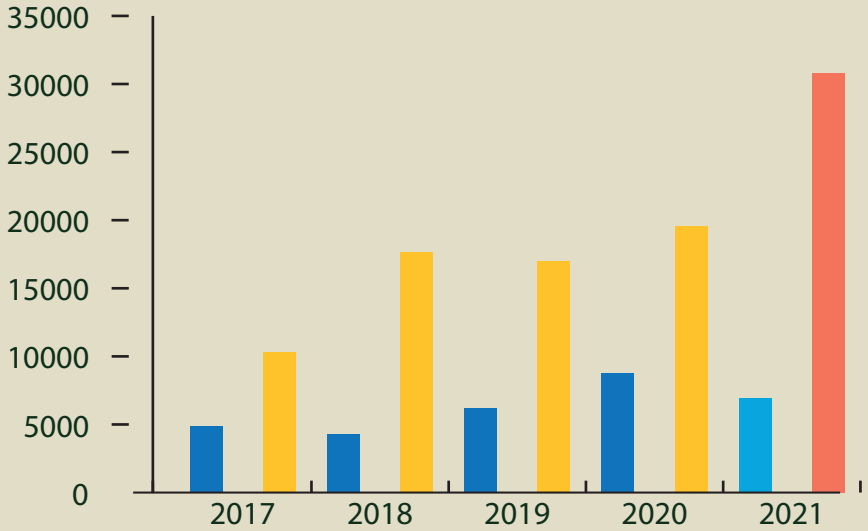
(NOT AUDITED) (000's Omitted)



	2017	2018	2019	2020	2021
Gross Income	70,629	76,779	84,972	87,655	**117,179**
Operating Expenses	55,913	61,070	63,276	71,432	**94,041**

MEMBER DIVIDENDS (Interest) AND NET INCOME

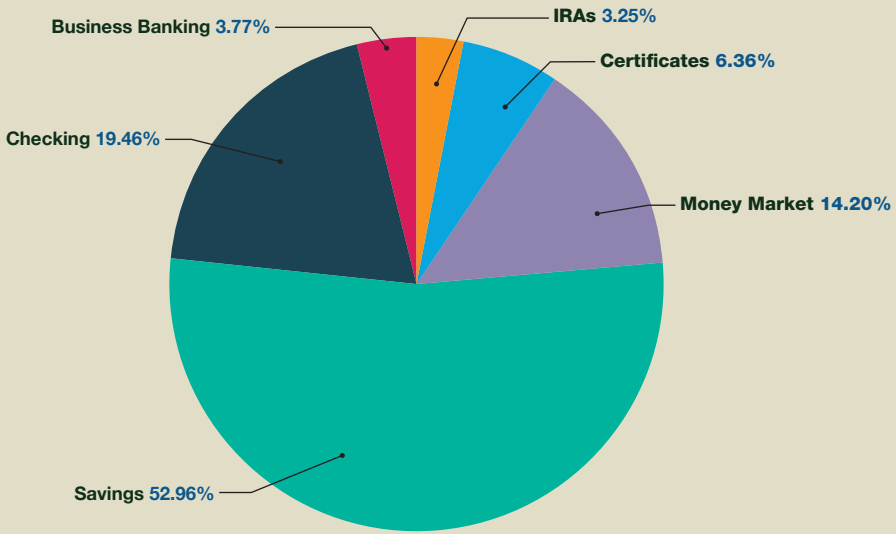
(NOT AUDITED)



	2017	2018	2019	2020	2021
Dividends	4,908	4,312	6,222	8,779	**6,933**
Net	10,291	17,648	17,015	19,549	**30,796**

MEMBER SHARES

(Percentage of Total Shares)



Eighty-First
Annual Meeting Minutes | Valley Strong Credit Union · April 15, 2021

The Eighty-First 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 15, 2021. 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 stated that at each place there is a 2020 Annual Report which contains the financial statement, Supervisory Committee Report, and the minutes of the 2020 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 recognizing the Board of Directors: Mr. Mike Kileen, First Vice Chairperson; Mr. Joe Drew, Second Vice Chairperson, Mr. Carl B.A. Lange, III, Treasurer and Ms. Joanne Mills, Secretary. Directors; Dr. James Fillbrandt, Dr. S. William Bruce, Dr. Dennis Scott, Dr. Bryon Schaefer and Ms. Marilyn Jones. Supervisory Committee: Troy Fringer, Chairman, Committee Members; Ken Gragg, Ramon Hendrix, Dan Shannon and Tenielle Tensley. Senior Management: Steve Renock, President/CEO; Nick Ambrosini, EVP/Chief Financial Officer; Steve Matejka, EVP/Chief Operations Officer; Mark Manns, SVP/Chief Human Resources Officer; Steve Roach, SVP/Chief Information Officer, Chuck Smith, SVP/Chief Lending Officer, Shonna Shearson, SVP/Operations 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 for the Board of Directors are Dr. Larry Reider, Mike Kileen, Carl B.A. Lange, III, and Dr. Dennis Scott. Running for re-election for the Supervisory Committee is Ramon Hendrix. A motion will be requested during the business portion of the meeting.

Chairman Reider called the business meeting to order at 6:07 pm. Chairman Reider introduced Ken Gragg, Member of the Supervisory Committee, to present the Supervisory Committee Report. Mr. Gragg 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 2020 Annual Report. As part of our responsibilities, the Supervisory Committee periodically meets with the auditor of the credit union. The current audit has not been completed yet. Our auditor's firm specializes in credit unions, and he is very impressed with this financial institution. Not just the performance but also the Senior Management and Team Members. Also, the Supervisory Committee reviews internal auditor reports and regulatory examinations. Again, very pleased, and always a clean report. The Supervisory Committee believes that this credit union's financial condition and its internal controls are sound.

Dr. Reider stated that 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 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; 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; we were committed to service as we have for the last 83 years. 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 Unions net income for the year was $20 million and Valley Strong saw annual asset growth of $227 million.

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

EIGHTY-FIRST
Annual Meeting Minutes

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.

Our President/CEO, Mr. Renock, returned to the podium. He would like to add his personal welcome to our Annual Meeting. He stated that he often uses quotes in his comments and today is no different. It was said by Jerry Garcia, "what a long, strange trip it's been". Most people would like to forget 2020. As Dr. Reider pointed out, we have some things to celebrate here at Valley Strong. Most importantly we helped Members cope with the financial effects of the pandemic. We did this by offering loan forbearance extensions, PPP loans for the business community, and we provided them a safe place to put their funds in a time of trouble. We also changed our charter, our name and our brand. All of these things we did in the midst of the pandemic, and how did our Members respond to all of this? First of all, they paid back their loans; we ended the year with the lowest delinquency and charge-off numbers that we probably have had in the history of the credit union. We also saw our Members use their debit cards in record numbers. Every month the use of those cards was an indicator of their loyalty. And again, they voted us the favorite financial institution in Kern County for the 26th year in a row. Also, Forbes Magazine, in their survey of credit unions in each state, voted us the second-best credit union in the state. We look forward to their next survey where we hope to be the best credit union in the state of California. Loyalty goes both ways. We were loyal to our Members by providing them the help that they needed in a tough year; and they were loyal to us by doing what Members are supposed to do, paying their loans, using our products and services and encouraging other Members to do the same. As Dr. Reider stated, we had a very strong financial year, and we have exciting opportunities ahead of us. Our expansion to the north will provide opportunities for our new Members as well as providing existing Members with the advantages that comes with additional size and scale. We must have sufficient growth to get to the size that we can provide all of our Members products and services and security that they want in a financial institution. All of this happens because of three things. The dedication of our team, the guidance and wisdom of the Board of Directors and Supervisory Committee who help set our policies and direction, and finally, the loyalty of our Members.

As you know, this is Mr. Renock's last (12th) Annual Meeting. It's been an exciting eleven-plus years, both in good and bad ways, but we have all been through that together. It couldn't have been accomplished without the support and dedication of the staff and the Board. He relayed that he is greatly appreciative for all the support that the staff has given him. He stated that his time at Valley Strong Credit Union will forever be his fondest professional memory.

Business Meeting:
Chairman Reider has verified by the attendance of 37 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 2020 Annual Report. Hearing none, the Chairman asked for a motion to accept the Minutes of the Eightieth Annual Meeting, the Financial Statement and the Supervisory Committee Report contained therein. It was moved by Mr. Joe Drew and seconded by Ms. Joanne Mills 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. Larry Reider, Dr. Dennis Scott, Mr. Carl B.A. Lange, III, and Mr. Mike Kileen. Also included is Mr. Ramon Hendrix who is up for election on the Supervisory Committee. The Chairman asked for a motion to elect these candidates by acclamation. A motion was made by Dr. Bill Bruce and seconded by Ms. Marilyn Jones to elect these candidates by acclamation. Motion carried. These four Board Members and one Supervisory Committee Member 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. Mike Kileen and seconded by Mr. Nick Ambrosini to adjourn the meeting at 6:22 p.m. Motion carried.

VALLEY STRONG CREDIT UNION

KERN COUNTY BRANCH LOCATIONS

ARTISAN SQUARE BRANCH
1341 Allen Road
Bakersfield, CA 93314

BUENA VISTA BRANCH
3300 Buena Vista Road, Ste. J
Bakersfield, CA 93311

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

DOWNTOWN BRANCH
2424 Chester Avenue
Bakersfield, CA 93301

MING BRANCH
4530 Ming Avenue
Bakersfield, CA 93309

MT. VERNON BRANCH
3901 Mt. Vernon Avenue
Bakersfield, CA 93306

PANAMA BRANCH
5001 Panama Lane
Bakersfield, CA 93313

RIVER RUN BRANCH
6101 Coffee Road
Bakersfield, CA 93308

TOWN & COUNTRY BRANCH
8200 Stockdale Highway, Ste. P
Bakersfield, CA 93311

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

TULARE / KINGS COUNTIES BRANCH LOCATIONS

CENTRAL VISALIA BRANCH
1501 S. Mooney Blvd. #102 - #103
Visalia, CA 93277

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

PORTERVILLE BRANCH
745 N Newcomb St.
Porterville, CA 93257

TULARE BRANCH
1989 E. Prosperity Avenue
Tulare, CA 93274

SOLANO COUNTY BRANCH LOCATIONS

FAIRFIELD BRANCH
1000 Union Avenue
Fairfield, CA 94533

PARADISE VALLEY BRANCH
3330 N. Texas Street
Fairfield, CA 94533
(Located Inside Raley's)

VACAVILLE BRANCH
151 Elmira Road
Vacaville, CA 95687

SAN JOAQUIN BRANCH LOCATIONS

AIRPORT WAY BRANCH
2405 S. Airport Way
Stockton, CA 95206

BENJAMIN HOLT DR BRANCH
435 W. Benjamin Holt Drive
Stockton, CA 95207

PERSHING AVENUE BRANCH
4603 N. Pershing Avenue
Stockton, CA 95207

MANTECA BRANCH
206 E. Yosemite Avenue
Manteca, CA 95336

LODI BRANCH
200 S. School Street
Lodi, CA 95240

STOCKTON BRANCH
18 S. Center St
Stockton, CA 95202

HIGH SCHOOL BRANCH LOCATIONS

Career Technical Education Center (Full Service Branch)

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

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