

VALLEY STRONG CREDIT UNION

2022 ANNUAL REPORT

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VALLEY STRONG CREDIT UNION

SUPERVISORY COMMITTEE

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

BOARD OF DIRECTORS

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

MANAGEMENT

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

A Message From The Board of Directors



Joseph Drew
Chairperson,
Board of Directors

Focused.

It's the word that best describes 2022 while continuing to define this year and the near future.

Why? Because we remain focused on our Members, focused on our Team Members, and focused on the fundamentals. Staying true to these key pillars ensures our continued success and yours.

We have a good story to tell as 2022 was successful by nearly every measure. Consider:

- We maintained our organic growth posture, opening a full-service branch in Dinuba and a high school branch in Hanford.
- We surpassed a new milestone with more than $4 billion in assets.
- We engineered safe and sound operations with solid earnings of $17 million supporting a well-capitalized 8.11% net worth ratio.
- Our lending volume continued to enjoy robust growth, totaling $1.1 billion or 49%.

All this while facing economic headwinds late last year that continued into 2023. So, what does this year look like? In a word: cautiously optimistic. We expect targeted opportunities for growth, both in deposits and lending, and overall membership. But that means a laser focus on the fundamentals, serving our Members and communities with a suite of products and services to which they have come to expect. It includes our ongoing financial literacy efforts, with a focus that drives strong engagement.

Teaching and guiding Members across the financial landscape is part of our mission. In these uncertain times, educating and counseling is of great need. We stand ready and able to assist Members should they experience financial difficulties.

Another initiative that holds great promise is our efforts to achieve Community Development Financial Institution (CDFI) status. A CDFI is a recognized financial institution that provides credit and financial services to underserved markets and populations. Our application currently sits with the U.S. Treasury and we're confident it will pass muster.

Serving our Members, and safeguarding their financial future is our greatest mission. Together, we achieve their financial goals in creative, rewarding ways. And as we grow, so do the avenues of opportunity to continue serving our communities.

We look forward to a prosperous 2023.

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



Nick Ambrosini
President / CEO

When a Member or Team Member asks me what our economic future looks like, I am often hesitant to respond. I'm not dodging the question; it's just simply impossible to answer. There are too many variables beyond our control. Will the Fed continue to raise interest rates? Is the job market still robust, or my personal favorite: will there be a recession?

But then I reflect on the purpose of the question. People are uneasy and simply want reassurance that their finances are in good order, and that we continue to maintain our careful stewardship of their money.

That said, I'm full of cautious optimism.

Last year, we opened a branch in Dinuba, and a high school branch in Hanford. We grew our membership by the thousands and increased assets to more than $4 billion. It's truly a great story to tell.

But now, after years of growth and expansion, 2023 represents a more moderate outlook. It's a great time for savers as interest rates have steadily climbed in the last 12 months. The flip side, of course, borrowers face more expensive mortgages, auto loans and credit cards.

So, when I'm asked about our future, I say with great confidence that we have a strong leadership team who's been through this kind of uncertainty before. They are battle tested and ready for whatever this year brings. We also remain well capitalized, and I believe we can weather any storm.

But we know that we're only as strong as our Members and the communities we serve. Thankfully, we are "Valley Strong."



Troy Fringer
Chairperson
Supervisory Committee

The Supervisory Committee is comprised of three 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, 2022. The 2022 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 2023. 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.

2022 ANNUAL REPORT

Statements

STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31 (NOT AUDITED)

(000's Omitted)

INCOME	2021	2022
Interest on Members' Loans	$ 71,606	$ 138,227
Investment Income	10,939	3,282
Other Income	34,635	45,796
GROSS INCOME	**$ 117,179**	**$ 187,305**
EXPENSES		
Loan Loss Reserves	4,463	32,882
Other Operating Expenses	89,579	129,790
OPERATING EXPENSES	94,041	162,672
Income from Operations	$ 23,138	$ 24,633
Non-Operating Gains (Losses)	14,590	6,763
NCUSIF Recapitalization Expenses, Net	–	–
Income Before Dividends	8,547	17,870
Dividends & Interest Paid to Members	6,933	14,743
NET INCOME	**$ 30,796**	**$ 16,653**

STATEMENT OF FINANCIAL CONDITION

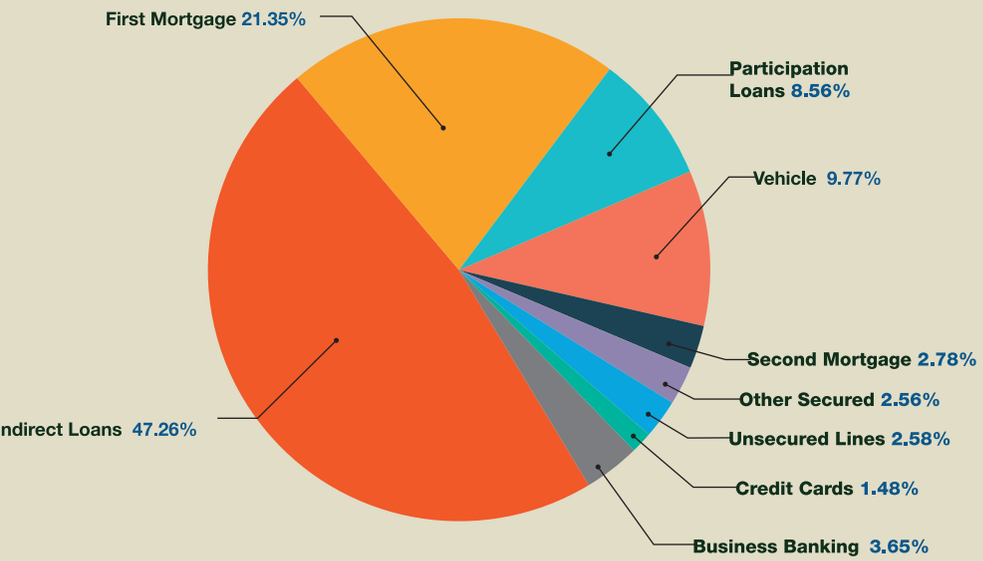
AS OF DECEMBER 31 (NIOT AUDITED)

(000's Omitted)

ASSETS	2021	2022
Loans to Members, Net of Loss Reserves	$ 2,221,418	$ 3,310,346
Cash on Hand	258,977	139,533
Investments & Interest-Bearing Deposits	800,481	534,223
Interest Receivable	8,288	12,123
Premises & Equipment, Net of Depreciation	68,604	79,823
Other Assets	94,021	111,898
TOTAL ASSETS	**$ 3,451,790**	**$ 4,187,947**
LIABILITIES / SHARES / EQUITY		
Dividends Payable	$ 194	$ 465
Other Liabilities	62,588	528,145
Members' Shares	3,052,973	3,319,705
Restricted Earnings Reserve	49,836	49,836
Minority Interests in Consideration	-	-
Undivided Earnings	286,200	289,796
TOTAL LIABILITIES & EQUITY	**$ 3,451,790**	**$ 4,187,947**

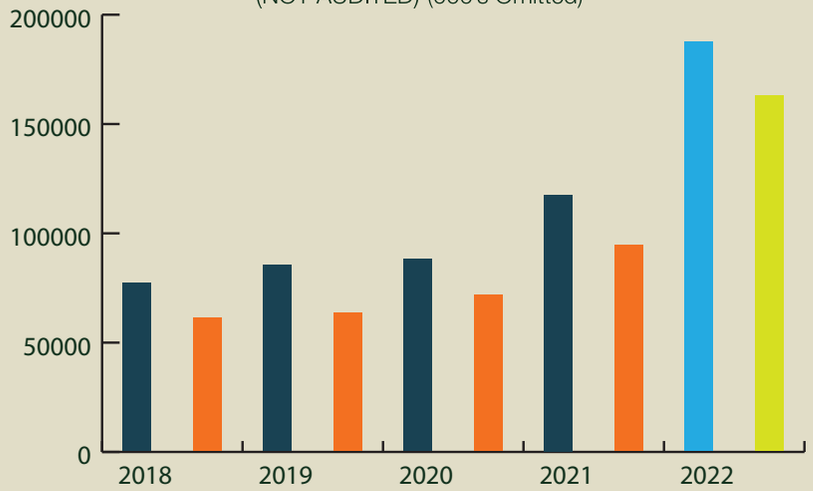
MEMBER LOANS

(Percentage of Total Loans)



GROSS INCOME AND OPERATING EXPENSES

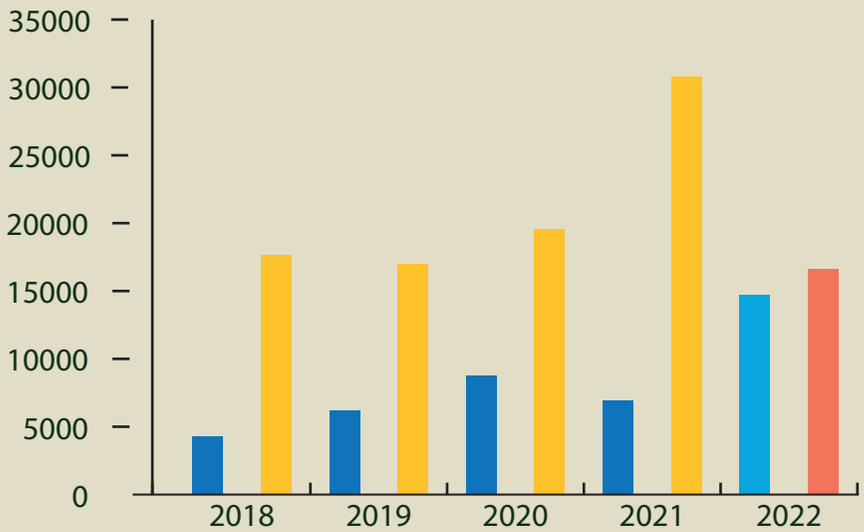
(NOT AUDITED) (000's Omitted)



Gross Income	76,779	84,972	87,655	117,179	**187,305**
Operating Expenses	61,070	63,276	71,432	94,041	**162,672**

MEMBER DIVIDENDS (Interest) AND NET INCOME

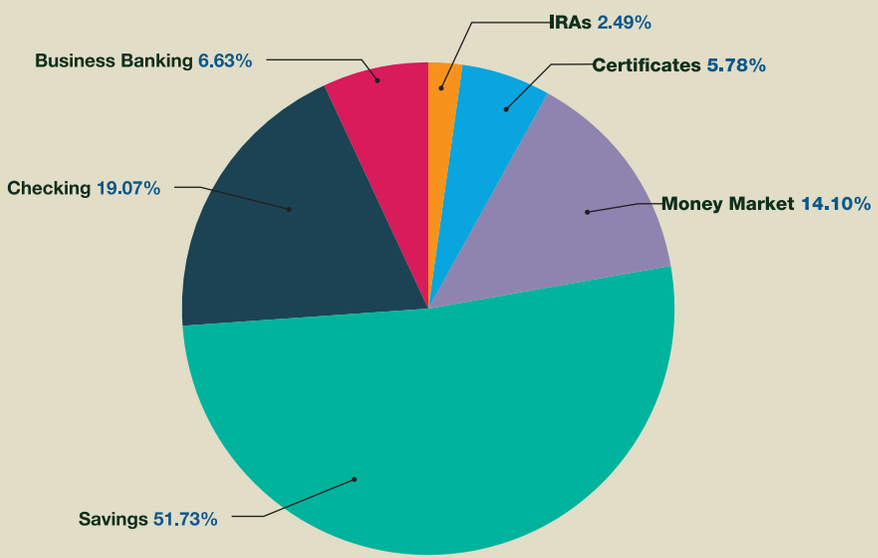
(NOT AUDITED)



Dividends	4,312	6,222	8,779	6,933	**14,743**
Net	17,648	17,015	19,549	30,796	**16,653**

MEMBER SHARES

(Percentage of Total Shares)



EIGHTY-SECOND
Annual Meeting Minutes | Valley Strong Credit Union · April 14, 2022

The Eighty-Second Annual Meeting of Valley Strong Credit Union was held at the Administrative Office in Bakersfield, California, on the evening of April 14, 2022. 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 2021 Annual Report which contains the financial statement, Supervisory Committee Report, and the minutes of the 2021 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, Ms. Valencia Jones, Mr. Mark Moreno, 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, and Tenielle Tensley. **Senior Management**: Nick Ambrosini, President/CEO; Steve Matejka, EVP/Chief Operating Officer; Mirella Reznic, EVP/Chief Strategy Officer; Michael Duffy, EVP/Chief Advocacy Officer; Lindsay Reyes, SVP/Chief Financial Officer; Deanna Blaise, SVP/ Member Business Services; Mark Manns, SVP/Chief Human Resources Officer; Steve Roach, SVP/Chief Digital Officer, Chuck Smith, SVP/Chief Lending Officer, Shonna Shearson, SVP/Operations; Lindsey Strange, SVP/Chief Retail Officer; Myrto Koimtzoglou, SVP/Chief Compliance officer; Hena Raina, SVP/Chief Technology Officer; Erin Estelle, SVP/Chief Marketing Officer; Lauren Chiu, SVP/Chief Product Officer; and Teri Nicholson, Assistant to the President/CEO.

Chairman Reider called the business meeting to order at 5:40 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 2021 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 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 swath of the Central Valley. There are now nearly 600 Team Members serving more than 260,000 Members. Much of what was accomplished this year was with an eye toward 2022. Our partnerships with community organizations, our indirect loan program, our reorganized team structure and "can-do" approach has us prepared for another successful year. He thanked the members for their trust and is looking towards a prosperous financial future.

EIGHTY-SECOND
Annual Meeting Minutes

Our President/CEO, Mr. Ambrosini returned to the podium. He welcomed Members to our Annual Meeting. He then stated that his leadership team often hears him say, “We are in the business of managing risk.” He further explained that risk is part of our commitment to Members who entrust us to safeguard and grow their financial prosperity. Mergers / acquisitions, indirect loans, and other emerging technology all offer the potential to improve the Member experience.

He further explained that the organization would focus on a team structure that emphasizes a growth mindset. In January, the company updated a 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 and people of color and race. And this is just the tip of the iceberg as VSCU develop programs to support and celebrate our diversity of thought. He concluded his comments by explaining that the organization would be 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.

Chairman’s Report:

Business Meeting:
Chairman Reider has verified by the attendance of 44 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 2021 Annual Report. Hearing none, the Chairman asked for a motion to accept the Minutes of the Eighty-First Annual Meeting, the Financial Statement and the Supervisory Committee Report contained therein. It was moved by Dr. S William Bruce 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 three incumbents: Dr. Bryon Schaefer, Mr. Joseph Drew, and Mr. Kenneth Gragg. The Chairman asked for a motion to elect these candidates by acclamation. A motion was made by Mr. Carl B.A. Lange III and seconded by Mr. Mike Kileen to elect these candidates by acclamation. Motion carried. These two 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. Joseph Drew and seconded by Ms. Marilyn Jones to adjourn the meeting at 6:49 p.m. Motion carried.

VALLEY STRONG CREDIT UNION

KERN COUNTY BRANCH LOCATIONS

ARTISAN SQUARE
1341 Allen Road
Bakersfield, CA 93314

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

CAREER TECHNICAL EDUCATION CENTER
7301 Old River Rd.
Bakersfield, CA 93311

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

DOWNTOWN
2424 Chester Avenue
Bakersfield, CA 93301

MING
4530 Ming Avenue
Bakersfield, CA 93309

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

PANAMA
5001 Panama Lane
Bakersfield, CA 93313

RIVER RUN
6101 Coffee Road
Bakersfield, CA 93308

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

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

TULARE COUNTY BRANCH LOCATIONS

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

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

PORTERVILLE
745 N Newcomb St.
Porterville, CA 93257

TULARE
1989 E. Prosperity Avenue
Tulare, CA 93274

DINUBA
1245 W. El Monte Way
Dinuba, CA 93618

SOLANO COUNTY BRANCH LOCATIONS

FAIRFIELD
1000 Union Avenue
Fairfield, CA 94533

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

VACAVILLE
151 Elmira Road
Vacaville, CA 95687

SAN JOAQUIN COUNTY BRANCH LOCATIONS

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

PERSHING AVENUE
4603 N. Pershing Avenue
Stockton, CA 95207

LODI
200 S. School Street
Lodi, CA 95240

STOCKTON MAIN
18 S. Center St
Stockton, CA 95202

AIRPORT WAY
2405 S. Airport Way
Stockton, CA 95206

MANTECA
206 E. Yosemite Avenue
Manteca, CA 95336

HIGH SCHOOL BRANCH LOCATIONS

Frontier High School Regional Occupational Center Ridgeview High School West High School Stockdale High School Hanford High School

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

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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