



Annual Report 2022

MISSION STATEMENT

To meet the financial needs of individuals and local businesses.



Report from the CEO

To Our Valued Members,

Although the socio-economic events of the past year continued to challenge our community, our nation and the world, 2022 was another very successful year for your credit union, TOPCU. The National Credit Union Administration (NCUA)—the Federal Agency that insures your TOPCU deposits to at least \$250,000—rates TOPCU as Well-Capitalized, its highest rating. Indeed, TOPCU remains a fiscally strong financial institution with more than 18,000 members and \$222M in assets.

2022 Significant financial highlights:

- 7% increase in Assets to over \$222.8 million
- 2% increase in Saving deposits to over \$196 million
- 51% increase in Loans to over \$166 million
- 2% increase in Capital to over \$15.3 million

In addition to this, TOPCU is a designated Community Development Financial Institution (CDFI) and actively serves low-to-moderate-income households with an array of traditional and non-traditional financial products and services. By assisting the underserved with financial literacy and solvency, TOPCU strives to contribute to fortifying the overall economic strength of Tucson.

Community Impact:

TOPCU ardently supports efforts that make our region a great place to work and live. Notable 2022 TOPCU accomplishments include:

- Garnering the Arizona DeJardins Adult Financial Education Award in the category of financial institutions holding \$100-\$500 million in assets.
- Investing in a significantly improved digital branch experience for members.
- Supporting the following community organizations with financial support:
 - The Erik Hite Foundation
 - Southern Arizona Law Enforcement Foundation
 - Pima County Sheriffs Association
 - Tucson Fire Fighters Benevolent Association
 - Greater Tucson Fire Foundation
 - Southern Arizona Musicians for Healing
 - Hearts of Gold Foundation
 - Living Streets Alliance Cyclovia
 - Jewish Family and Children's Services
 - Watershed Management Group
- Giving employees a paid incentive to volunteer at various charitable events. Our commitment to such worthy causes is throughout our organization with:
 - 374 Employee Volunteer Hours worked, and a total of
 - \$15,560 donated to Charitable Organizations

Go Solar!

At a time when lakes and rivers across the country are not recovering from drought conditions, water conservation is more important than ever—especially right here in the southwest. TOPCU's specific green initiatives extend well beyond its own facilities by helping members and member businesses achieve these same initiatives.

Per the US Energy Information Administration (EIA) at [eia.gov](https://www.eia.gov), in 2021, the average annual electricity consumption for a U.S. residential utility customer was 10,632 kilowatt hours (kWh)—with single-family detached homes in the South consuming the most due to the prevalence of electric heating and the use of more air conditioning.

Per a 2008 statement at <https://spectrum.ieee.org/how-much-water-does-it-take-to-make-electricity>, April 2008—keeping a single 60-watt lightbulb lit for 12 hours uses as much as 15.85 gallons of water. According to researchers at the Virginia Water Resources Research Center, in Blacksburg, Va., fossil-fuel-fired thermoelectric power plants use more than 132 billion gallons of fresh water per day in the United States alone.

In 2022, TOPCU helped 1,448 members install solar on a home or business, thus annually saving an estimated 15 million gallons of water being used (based on EIA report average electric consumption). Consider going solar! Contact us today to find out how your average monthly electric payment can be reworked into a solar loan.

Helping Area Businesses to Thrive during Continued Challenging Economic Times:

In 2022, TOPCU's Business Lending program provided over \$8,500,000 in financing for apartment complexes, rental homes and assisted living facilities in Tucson—many of which are in lower-income communities that rely on the availability of affordable places to live. This investment of time and resources has positively impacted individuals living in 90 apartments, 9 single family homes, and 10 assisted living units.

Other business sectors that obtained funding from TOPCU's Business Lending program during 2022, include retail, industrial, office and equipment financing.

Sustainable Success

Though TOPCU enjoys financial success from facilitating all types of loans, the bulk of our success has been through the Solar lending and Business lending programs. When compared with other credit unions—and even banks—our success with these two programs reflects TOPCU's unique and assured niche in Tucson as well as Nationally.

Keeping up with technology has been and will continue to be very important for TOPCU to remain viable and competitive within the marketplace. In July 2022, TOPCU introduced enhanced digital banking with more convenient mobile banking features.

TOPCU members with all types of mobile phones can conveniently bank with the credit union through their phone from anywhere and at any time. Here are some of the new digital enhancements your membership allows you to enjoy:

- Deposit checks to your TOPCU account using your cell phone
- Convenient P2P (person-to-person) transfers with Zelle
- Monitor your credit score real time
- BitCoin transaction capability
- Expanded transaction alerts and account controls
- Sign TOPCU documents remotely with DocuSign
- Remote Notary service
- Increased security levels to protect your personal information

Thank you for another outstanding year of success, and for trusting TOPCU with your banking needs. We truly appreciate your business and the opportunity to serve you for many years to come.

Best Regards,



G. Vernon Babilon
CEO

Report from the Board Chair

Last year, in my letter to you, I emphasized that we continue to work diligently to ensure TOPCU member services continue to focus on you, the members. This focus includes providing the latest in financial processes to meet not only the needs of today but what you'll need tomorrow. In his annual letter, Vern eloquently addresses four of the "core" areas that we've underscored to continue in this pursuit. Our recently adopted 2023 Strategic Plan provides a roadmap for ensuring convenience, service, and product-based member enhancements continue as our primary areas of focus. This is accomplished with the understanding that TOPCU primarily serves members throughout the Tucson metropolitan area and southern Arizona. We provide services with an understanding that The City of Tucson's recent Poverty and Urban Stress 2022 report points out that Tucson has a lower median income than most other major metropolitan areas in the United States. Understanding this aspect of our socio-economic environment is crucial to meeting our member's needs. For these reasons, the Board, our CEO, and TOPCU Senior Executives all recognize that TOPCU services, including deposit and lending products, must be developed to be inclusive towards all income levels and demographics, with particular emphasis on serving areas targeted to receive special attention to mitigate poverty – truly a core ingredient of the credit union movement formalized by the Credit Union Act in 1934! Based on these observations, and primarily after the devastation created by the COVID-19 Pandemic and the ensuing economic downturn, TOPCU sought and was one of only 12% of all financial institutions in the United States that was awarded a US Department of the Treasury certification as a Community Development Financial Institution (CDFI). As a CDFI, TOPCU continues to invest in the Tucson community and the residents here to provide critically needed financial services and financing. In addition, because of this designation, TOPCU is eligible to apply for awards through a variety of competitive programs administered by the CDFI Fund. These awards enable CDFIs to finance a wide range of activities, including 1) Mortgage lending for first-time homebuyers, 2) Flexible underwriting for community facilities, and 3) Commercial loans for businesses in low-income areas.

TOPCU continues to strive to be the best at providing the latest in financial processes and unsurpassed personal attention to ensure you have access to the financial tools you require. To do this, over the years, we've assembled a staff and group of volunteers that are the "gold standard" for both leadership and knowledge. This is demonstrated by the national training and recognition received in the last year. Some examples include:


- Solar Loan Specialist - Solar Lending Professional through UNH Carsey School of Public Policy
- Sustainable Lending Manager- CUNA Management School, Community Development Finance through UNH, CDFI Practitioner Course through UNH Carsey School of Public Policy
- IT Support Engineer - Data Center Virtualization Certified Professional, Data Center Virtualization Certified Technical Assistant
- HR Director - Certified Credit Union Investment Professional through CUNA, Leadership Institute through GoWest Credit Union Association

In addition, we were fortunate to acquire Scott Bell as our newly installed Chief of Operations. Scott comes with a wealth of experience and proven ability to institutionalize many of the areas identified in both our Strategic Direction and Strategic Plan. He has already had a hand in moving us forward in both vision and implementation, and we're excited to have him on board.

It's also my honor and privilege to recognize the following Board and Supervisory Committee Members for their distinguished service:

Fred Cushman – after 16 years of service, Fred is "retiring" from his membership on the Board of Directors. Personally, Fred has been an inspiration for his "attention to detail" and ability to articulate an issue, so it's not only understandable but relevant. Thanks so much for the time and dedication you put into TOPCU and your focus on what's important to the TOPCU members, Fred. You will be missed.

Jim Knopf – Jim is "retiring" as Supervisory Committee Chairman after ten years. In addition, Jim was our acting Chief Executive Officer many years ago. This gave us time to find and hire Vern as our CEO after a very competitive



and selective process. TOPCU would not be where it is today without Jim's dedication, professionalism, and guidance! Personally, as a mentor to me, I can't say enough about his willingness to provide expertise and assistance, not just in the financial realm, but in life – thanks, Jim!

To conclude, in the ever-changing financial environment we currently face, the Board continues to focus the growth and progress of TOPCU on you, the members, by ensuring a sustainable, evolving financial process that can efficiently and competitively support your needs, now and in the future. We continue to work diligently to ensure a “strategy to task” process that is both inclusive and understanding of member requirements and needs. I understand that picking a financial institution is one of the most important decisions you'll ever make. I thank you for your support and willingness to pick TOPCU as the place to go for your financial requirements, and I am dedicated to ensuring you've made the right choice.

Richard Prater
Board Chair

Volunteers

Board of Directors

Richard Prater, Chair
Mike McKendrick, Vice Chair
William Richards, Secretary
Ross Underwood, Treasurer
Fred Cushman, Director
David Fregonese, Director
Britt Simmons, Director

Supervisory Committee

James Knoff, Chair
Rudy Ingersoll, Member
Linda Dhaemers, Member
Sandra Seitzinger, Member

Report from the Supervisory Committee

The Supervisory Committee is composed of four members appointed annually by the Board of Directors. The Committee provides oversight of the Credit Union's financial reporting on behalf of the Board of Directors. As part of this oversight process, the Committee independently selects a certified public accounting firm to satisfy the Annual Audit requirements in accordance with Part 715 of the NCUA Rules and Regulations.

Management is responsible for the financial statements and the financial reporting process, including internal controls. In fulfilling its oversight responsibilities, the Committee discussed the financial statements in the Annual Audit report with management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

Specific areas audited in 2022 include the following:

- A comprehensive Information Technology audit by an independent consulting company.
- Independent auditing of Indirect Lending, Credit Card lending, Mobile and Online Banking, Business Accounts, ACH, Wire Transfers, Regulation E, Dormant Accounts, BSA, OFAC, Employee Loans, Collection Procedures and Consumer Lending,

The Supervisory Committee is pleased to report that Management is actively addressing any deficiencies that the audits disclosed.

In closing, we want to thank the Board of Directors, Management and Staff for their continued assistance and cooperation throughout the years.

James Knoff, Chair

Rudy Ingersoll, Member

Linda Dhaemers, Member

Sandra Seitzinger, Member

2022 Financial Statement*

Assets	2022	2021	Liabilities & Equity	2022	2021
Loans	\$166,355,530	\$109,719,139	Liabilities	\$19,309,557	\$1,237,178
Loan Loss Allowance	(1,914,945)	(1,189,804)	Savings Accounts	92,520,242	91,278,468
Cash and Cash Equivalent	(44,122)	20,192,355	Checking Accounts	55,477,013	54,450,015
Investments	47,394,477	69,853,199	Money Market Accounts	34,708,749	33,266,825
Property & Equipment	3,768,912	3,954,433	Certificate Accounts	6,796,231	6,315,733
Other Assets	7,267,449	5,125,384	IRAs	6,498,016	6,785,707
			Capital	7,517,493	14,320,740
Total Assets	\$222,827,301	\$207,654,706	Total Liabilities	\$222,827,301	\$207,654,706

Sources of Funds	2022	2021	Allocation of Funds	2022	2021
Loans	\$7,002,266	\$5,728,812	Dividends	\$170,903	\$140,655
Investments	863,474	829,562	Interest on Borrowed Funds	147,858	51
Investment Services	137,907	117,221	Operating Expenses	7,838,799	6,981,396
Fees/Other Income	2,005,693	2,435,959	Provision for Loan Loss	1,563,112	201,054
			Non-Operating Expense	(3,525)	
			Net Income (Loss)	292,193	1,788,398
Total Income	\$10,009,340	\$9,111,554	Total Allocations	\$10,009,340	\$9,111,554

**Unaudited financial statement as prepared by
Tucson Old Pueblo Credit Union*



TOPCU

Tucson Old Pueblo Credit Union



Main Branch

2500 E 22nd Street
Tucson, Arizona 85713



East

9725 E Broadway Blvd
Tucson, Arizona 85748



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www.topcu.org