

topcu.org

# Annual Report



2023

## MISSION STATEMENT

To meet the financial needs of individuals and local businesses.

Federally insured by NCUA.  
Equal Housing Opportunity.



**TOPCU**  
Tucson Old Pueblo Credit Union

# Report from the CEO

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## Dear TOPCU Member:

On behalf of the entire management team, I thank you for your continued trust in TOPCU throughout 2023. We are honored that you chose us to help you meet your continuing financial needs.

It was a trying year for all financial institutions and TOPCU was not immune. The sudden increase in interest rates by the Federal Open Markets Committee (FOMC) made lending more challenging and the deposit retention more costly. That impacted all members by producing a dual effect—higher loan rates for those who borrowed, yet higher interest rates paid on members' savings accounts.

The credit union industry—as a whole—has arrived at a significant inflection point as we strive to balance consumer demand for high-quality services with the expectation of more affordable costs. This requires a mindset focused on continuous improvement and investment in our technologies, processes, and infrastructure to enable us to support our members better and differently. Our aim is to provide digital conveniences, but not digital only. That means that we want to provide members with easy access to information and tools that enable them to manage their accounts—while ensuring employees are available to provide service and assistance. All members are important to us—whether they are digitally savvy or prefer personal human interaction.



**TOPCU is here for you-** for your personal and small business banking, autos loans, motorcycles, solar energy, your commercial business needs, and more.

Some of the ongoing trends that are continuing to affect the entire credit union industry, including TOPCU are:

- COVID-19 – Lasting changes in where and how employees work, as well as members' shifting preferences as to how they want to engage with the credit union.
- Industry-wide mergers – Credit union consolidations across all sizes and geographic locations continue to reshape the landscape and blur the lines of traditional credit union activities and practices.
- Artificial intelligence – Gives us greater potential to gain insight into what will serve our members' best, yet is also costly to implement.
- Fee compression – Requires us to continually look for cost-efficient ways to add value and manage member expectations.

All of these forces present us with the opportunity to rethink how we deliver credit union services, and how we can do so while still maintaining a high degree of quality and efficiency for our members. It is important and exciting work, and I look forward to undertaking the continued journey with you as 2024 unfolds.

Meanwhile, TOPCU is here for you—for your personal and small business banking, loans for autos, motorcycles, solar energy, your commercial business needs, and more.

Sincerely,

G. Vernon Babilon  
President/CEO

# Report from the Board Chair:

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Over the last couple of years, in my annual report to you our members, I have focused on our efforts to meticulously work towards providing you with the most current and up to date processes for insuring both efficient access and resourceful use of your hard earned dollars. To accomplish this, Vern and his all-star staff spent the last year enhancing our benchmarked solar loan program; streamlining your online and app based banking; and improving our overall ability to communicate effectively and in “real time” to insure you have the best, most current information available to meet your financial needs and requirements. These goals were not met without the hard work and professionalism of TOPCU’s 53 employees. Although I use the term employee, in reality, Vern has worked industriously to ensure each employee is in reality a partner, working to help each and every one of you.

In this year’s letter, Vern mentions some of the challenges faced by TOPCU in 2023. He resourcefully articulates how TOPCU worked through and even weathered these issues when many institutions couldn’t find a path through them. The economically dark shade created by the umbrella of COVID initially placed a shadow on TOPCU’s ability to provide continuity of operations. Through his leadership and focus by the Board, we were able to provide a combination of procedural changes to “remote” operations and technical enhancements to our app driven capability. These enhancements not only maintained, but increased efficiencies through a combination of more instant communication and enhanced employee morale.



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These key innovations also helped us to recognize that we're more than a financial institution providing services to our members, but we're also a community based institution providing essential financial quality of life tools to our community residents. Below are two examples from the last year that demonstrate this focus.

- Our Solar Lending program has become a national benchmark. In fact, as a national leader in this concept, our "lead agent" Joanna Jackson often receives calls and requests for information from national oversight agencies such as National Credit Union Agency (NCUA) and other credit unions and financial institutions throughout the country. This effort not only provides an economically efficient means to install solar panels, but also reinforces the community's movement towards green, low carbon footprint energy.

- TOPCU's integration of current artificial intelligence software provides insight into both current and future member's desires and needs now and into the future. This enables us to "view" these requirements from a multi-generational perspective with the understanding that different generations have different requirements for their financial success.

In addition to the outstanding work performed by TOPCU Executive leaders and staff, I'm honored to announce that, in the past year, we've had the opportunity to integrate our new Supervisory Committee Chairperson, Hank Bassaraba and two new Supervisory Committee members into TOPCU's leadership group of highly committed volunteers. I'd like to thank both Javin Kisner and Tabitha Dickherber for devoting their valuable time to these critical responsibilities. In addition, I'd also like to welcome our newest Board Member, Erick Kazmierczak. Eric brings his experience as an Assistant Police Chief and now Deputy Chief Safety Officer, University of Arizona Office of Public Safety to our Board and we're honored to have him be part of the TOPCU movement.

As Vern mentions, the Board, Supervisory Committee, and senior staff continue to focus on both member needs today and what these needs might shift to in the future. By anticipating change, TOPCU is in a position to create the financial institutional model for Tucson's future. We look forward to continuing this process into the next year and, just like last year, I understand that picking a financial institution is one of the most important decisions you'll ever make. You continue to have my pledge that we at TOPCU will remain vigilant in our efforts to provide you with member focused and task tailored financial services today and seamless integration of improvements as we transit into the future. I thank you for your support and willingness to pick TOPCU as the place to go for your financial requirements and am dedicated to insuring you've made the right choice.

Richard Prater  
Board Chair



# Report from the Supervisory Committee

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The Supervisory Committee is composed of three 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 2023 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.
- A standard regulatory exam of TOPCU was performed by both NCUA and AZDIFI examiners.

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

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

Hank Bassaraba, Chair

Javin Kisner, Member

Tabitha Dickherber, Member

## 2023 Financial Statement\*

<b>Assets</b>	<b>2023</b>	<b>2022</b>	<b>Liabilities &amp; Equity</b>	<b>2023</b>	<b>2022</b>
Loans	\$159,965,366	\$166,355,530	Borrowed Funds	\$3,375,000	\$17,900,000
Loan Loss Allowance	(2,133,471)	(1,914,945)	Liabilities	2,731,400	1,409,557
Cash and Cash Equivalent	812,907	(44,122)	Savings Accounts	78,181,396	92,520,242
Investments	40,511,702	47,394,477	Checking Accounts	51,193,053	55,477,013
Property & Equipment	3,566,643	3,768,912	Money Market Accounts	30,678,464	34,708,749
Other Assets	7,406,122	7,267,449	Certificate Accounts	30,449,793	6,796,231
			IRAs	6,254,827	6,498,016
			Capital	6,965,336	7,517,493
<b>Total Assets</b>	<b>\$210,129,269</b>	<b>\$222,827,301</b>	<b>Total Liabilities</b>	<b>\$210,129,269</b>	<b>\$222,827,301</b>

<b>Sources of Funds</b>	<b>2023</b>	<b>2022</b>	<b>Allocation of Funds</b>	<b>2023</b>	<b>2022</b>
Loans	\$8,737,698	\$7,002,266	Dividends	\$1,371,918	\$170,903
Investments	841,919	863,474	Interest on Borrowed Funds	922,733	147,858
Investment Services	155,872	137,907	Operating Expenses	8,614,545	7,838,799
Fees/Other Income	2,010,899	2,005,693	Provision for Loan Loss	1,560,722	1,563,112
			Non-Operating Expense	169,505	(3,525)
			Net Income (Loss)	(893,035)	292,193
<b>Total Income</b>	<b>\$11,746,388</b>	<b>\$10,009,340</b>	<b>Total Allocations</b>	<b>\$11,746,388</b>	<b>\$10,009,340</b>



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