evolve
credit union

ANNUAL REPORT 2020

84th Annual Meeting

April 14th, 2021

AGENDA

1. **Determination of a Quorum**
   Mr. Matthew Behrens, Chair

2. **Minutes of Annual Meeting – June 17th, 2020**
   Mr. Matthew Behrens, Chair

3. **Report from the Board of Directors**
   Mr. Matthew Behrens, Chair

4. **Report from the President/CEO**
   Mr. Kenneth Walters, President/CEO

5. **Report from the Supervisory Committee**
   Mr. Rolyne Kafka, Chair

6. **New Business**
   Mr. Matthew Behrens, Chair

7. **Election Report**
   Mr. Matthew Behrens, Chair

8. **Adjournment**

Board of Directors

Matthew Behrens – Chair
Linda Gonzalez-Hensgen – 1st Vice Chair
Fatuma Ereng – 2nd Vice Chiar
Ginger Raya – Secretary/Treasurer
Oscar Arriaga
Marcela Navarrete
Lilia Worrell
James Brackenbury

Supervisory Committee

Rolyne Kafka – Chair
Maria Pasillas
Edmundo Calderon

Executive Staff

Ken Walters – President/CEO
Randy Glover– Chief Lending Officer
Art Juarez – VP of Accounting
Perla Lopez– AVP of Finance
Adam Lozoya – VP of Sales
Gabriel Munoz – VP of HR
Elisa Terrazas-Arce – VP of Marketing
Isabel Meza – VP of Mortgage Lending
Ismael Mendiola – VP of Service
Patrick Lujan – VP of I.S.
Bobby Vincent – AVP of I.S.

MESSAGE TO OUR MEMBERS

It goes without saying that 2020 was a difficult year for everyone. Individuals, families, and businesses here in El Paso have been impacted in one way or another by COVID-19 and evolve FCU was not exempt. From a business perspective the only highlight was the credit unions ability to generate just over $1.4m in net income for 2020 during these unprecedented times. However, the $1.4m in net income was insufficient to offset the unprecedented growth in both shares and assets that evolve FCU saw in 2020 and still maintain a net worth ratio of 10.5%. Share and asset growth exceeded $35mm for the year or 13% and 11% respectively, significantly higher than our budgeted amount of 3% for 2020. This growth was the key factor in driving our net worth below the 10.50% threshold the Board uses to determine the final payout for the Patronage Dividend.

As you all know evolve FCU's business model is predicated on returning net income back to the membership in the form of a Patronage Dividend when our net worth position exceeds the floor of 10.50%. The extraordinary growth in shares & assets for 2020 was the key factor in the credit unions net worth dropping to 10.05%, well below our threshold. Although we did see an increase in loan volume for 2020 of 5.7%, or $11.6m the decline in interest rates due to the pandemic decreased the amount of interest income the credit union generated by 14.46% or $1.9m. This, along with the elimination of fees during the initial city/county wide lockdown contributed to the reduction in overall net income.

Even though the calendar turned over to a new year evolve FCU will continue to feel the financial burden of COVID-19 as continued stimulus, slow consumer spending and low interest rates will increase shares and assets which in turn will continue to apply downward pressure to our net worth ratio.

As difficult as 2020 was financially, evolve FCU continues to bring new services to the membership that will improve accessibility and drive down expenses. The Board of Directors and Management feel that net worth will return to levels above 10.50% once the pandemic has subsided and a normalcy returns to our everyday lives, we are hopeful this will occur in 2021.

We thank you for your continued support.

Matthew Behrens,
Chairman, Board of Directors

Ken Walters,
President/CEO

STATEMENT OF FINANCIAL CONDITION

Periods Ending December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash And Cash Equivalents	$42,012,081	$21,381,076
Investments	50,890,770	50,974,483
Loans To Members, Net Of Allowance For Loan Losses	214,063,707	202,462,736
Property And Equipment Net	6,631,659	9,035,598
NCUSIF Deposit	2,867,695	2,634,761
Other Assets	35,157,090	29,136,962
Total Assets	$351,623,003	$315,625,616
LIABILITIES and MEMBERS' EQUITY		
Liabilities:		
Accrued dividends payable	231,936	320,111
Accrued expenses and other liabilities	13,416,843	14,453,447
Members Liabilitiy	306,071,715	270,279,689
Total Liabilities	319,720,494	285,053,247
Members' Equity:		
Regular Reserves	3,644,493	3,644,493
Undivided Earnings	28,258,017	26,927,876
Total Members Equity	31,902,509	30,572,369
Total Liabilities And Members' Equity	$351,623,003	$315,625,369

STATEMENT OF INCOME & EXPENSE

Periods Ending December 31, 2020 and 2019

	2020	2019
INTEREST INCOME		
Interest On Loans	$10,205,572	$11,096,744
Income On Investments	792,185	1,761,192
Total Interest Income	10,997,758	12,857,937
INTEREST EXPENSE		
Dividends On Member Share	2,125,392	4,516,925
Dividends On Non-Member Shares	5,243	13,482
Interest On Borrowed Money	4	335,325
Total Interest Expense	2,130,640	4,865,732
Net Interest Income	8,867,118	7,992,204
PROVISION FOR LOAN & SHARE LOSSES (PLL)	452,178	1,677,525
Net Interest Income After PLL	8,414,940	6,314,679
NON-INTEREST INCOME		
Fees And Charges	4,075,099	5,123,479
Other Non-Interest Income	1,024,935	1,177,618
Total Non-Interest Income	5,100,034	6,3012,097
NON-INTEREST EXPENSES		
Compensation & Benefits	5,645,208	5,344,767
Office Occupancy Expense	939,863	848,389
Office Operation Expense	2,770,570	4,202,963
Professional & Outside Services	574,147	614,629
Miscellaneous	2,176,950	1,128,272
Total Non-Interest Expense	12,106,738	12,139,020
Income From Operations	$1,408,236	$476,756
Non-Operating Income (Loss)	0	0
Extraordinary Items - Write Down Of SWCorp MCA	0	0
Extraordinary Items - Impairment Of NCUSIF Deposit	0	0
Net Income	$1,408,236	$476,756