



2014  
ANNUAL REPORT

# PUTTING PEOPLE FIRST:

MEMBERS EMPLOYEES COMMUNITIES





# COMMUNITIES

# EMPLOYEES

Top Left:  
Kinecta Volunteer Corps at Special  
Olympics Plane Pull, Long Beach  
Center:  
Gevorg Dovlatyan, Member Service  
Representative II, Manhattan Beach

OUR MISSION:

KINECTA EXISTS TO DELIVER CLEAR, SOUND AND TAILORED FINANCIAL SOLUTIONS WITH EXCEPTIONAL SERVICE AND VALUE FOR THE BENEFIT OF OUR MEMBERS, EMPLOYEES AND COMMUNITIES.



# MEMBERS





Homeowners and business owners. Growing families and retirees. College students and newlyweds. No matter what your stage in life, you can rely on your trusted team of Kinecta financial advisors to expertly personalize our products and services to fit your unique needs.

Member service representatives and mortgage loan consultants. Insurance specialists and Call Center associates. We are here to make it easy – every transaction, every day, every time.

Children's Miracle Network Hospitals and Habitat for Humanity. Youth Scholarships and financial education. Kinecta has grown enormously since our founding in 1940, but our commitment to the credit union philosophy of "people helping people" remains as true today as it was back then.

**MEMBERS, EMPLOYEES, COMMUNITIES:  
THESE ARE THE FACES OF KINECTA.**



- Members Bryan and Kevin S. with their dog Lulu

- Annual Back-to-School Backpack Drive

- Denise Thomas, Director, Consumer Loan Underwriting



In 2011, 2012, 2013 and 2014, Kinecta was proud and honored to be named South Bay's Best Credit Union by readers of the Daily Breeze newspaper in Torrance, Calif.

## DELIVERING SOLUTIONS

Your Credit Union's mission is to deliver clear, sound and tailored financial solutions with exceptional service and value for the benefit of our members, employees and communities.

In 2014, we were proud to open our newest Member Service Center, located in the heart of downtown Hermosa Beach, Calif. There we introduced an innovative approach to financial services that offers cutting-edge technology alongside exceptional personal service. Enhanced automation such as a state-of-the-art in-lobby teller machine frees staff to spend more time with members discussing their individual needs in depth.

Your Credit Union also launched a newly redesigned Web site with a responsive format that automatically adapts to fit any device members use to connect. Intuitive navigation makes it even easier to find the exact information you need.

Kinecta boosted the performance of our mobile banking app with a number of new features. Members can view credit card transactions in real time and make payments; sign up to receive SMS text alerts; and make person-to-person payments on the go.

The Credit Union strengthened commercial deposit and loan products to meet the growing needs of our members who own small businesses. New business accounts were introduced, along with the convenience of online banking. Additionally, Kinecta became a Preferred Lender with the Small Business Administration (SBA) and now stands as the number one credit union in SBA lending for Southern California.

As in prior years, Kinecta ranked as one of the largest credit union mortgage originators in the U.S. The Credit Union funded more than \$2 billion in mortgage loans for members in 2014. However, we did not sacrifice member service for size. We were proud to be recognized as one of only 17 "Five Star Lenders" in the country by Mortgage Professionals of America magazine.

In 2014, more members than ever before took advantage of Kinecta's extremely competitive rates on auto loans for new, used and refinanced vehicles. The consumer loan portfolio surpassed \$1 billion during the year, and Kinecta became the second largest California-based credit union originating auto loans through CUDL (the leading credit union/dealer network).

## BUILDING FUTURES

Whether your financial needs are simple or complex, Kinecta has the right solution. With more than \$1.4 billion in assets, the Kinecta Wealth Management group helps members to accrue, preserve, enjoy and distribute their funds. In addition, the Insurance Services division provides more than 16,000 members with a wide array of personal insurance, including customized coverage with leading companies like Travelers, Safeco, MetLife and Mercury.

Your Credit Union brings valuable financial services to underserved communities through our wholly owned subsidiary, Nix Neighborhood Lending. The wide variety of small-dollar consumer credit products available at Nix offer lower fees, larger loans and better service than other providers. In 2014, Nix introduced a unique debt consolidation loan that enables members to break the cycle of high-cost debt while building or repairing their credit and saving hundreds of dollars in fees.

## TOUCHING LIVES

Our employees are passionate about service to members as well as to the communities we serve. Since its launch in late 2013, the Kinecta Volunteer Corps has significantly expanded employee involvement in community volunteerism. This past year, Kinecta staff contributed more than 4,600 volunteer hours at nearly 90 events in support of local nonprofit organizations. In addition, they raised more than \$277,000 for charity, including nearly \$100,000 for Children's Miracle Network. (See pages 4-5 for details.)

Kinecta and Nix again offered their signature community event, the 41st Annual Food Drive, which distributed traditional Thanksgiving food items and \$75 grocery gift certificates to 1,100 Los Angeles families in need.

Kinecta reaffirmed its dedication to helping young adults reach their financial and academic goals. In 2014, our Scholarship Program awarded a total of \$16,000 to eight outstanding student members.

## COMMITTED TO SERVICE

Kinecta's strength and financial stability go hand-in-hand with our ongoing dedication to providing value to members, employees and communities.

We are honored to serve the more than 275,000 members who have placed their trust and confidence in Kinecta Federal Credit Union. With \$3.6 billion in assets, Kinecta ranks as one of the largest credit unions in Los Angeles County, eighth largest in California and 37th largest in the United States.\*

All of us at Kinecta – your volunteer Board of Directors, management and every employee – thank you for your membership and continued loyalty.

Sincerely,



Jeffrey Y. Yonemura  
Chair of the Board

Keith Sultemeier  
President & CEO

\*Ranked by assets

# FACES OF COMMUNITY

## KINECTA VOLUNTEER CORPS

Employees of Kinecta and our subsidiaries volunteered more than 4,600 hours, raised more than \$277,000 in donations, and participated in nearly 90 events for local nonprofit organizations in 2014, including the following:

- > Adopt a Military Family
- > Al Wooten Jr. Heritage Center – Financial Education
- > American Red Cross – Employee Blood Drive
- > 21st Annual Revlon Run/Walk
- > 41st Annual Kinecta/Nix Food Drive
- > Baby2Baby – Diaper Drive
- > Best Buddies Friendship Walk
- > Earth Day – Paper Shredfest
- > Habitat for Humanity
- > Heal the Bay Coastal Cleanup Day
- > Karma Rescue
- > Let it Be Foundation 5K Run/Walk
- > Martin Luther King Jr. Day of Service
- > Midnight Mission
- > Operation Gratitude
- > Parents of Watts – 5th Annual Back-to-School Backpack Drive
- > Richstone Pier-to-Pier Walkathon
- > Salvation Army – Angel Project
- > Skechers Pier-to-Pier Friendship Walk
- > Special Olympics Plane Pull
- > Volunteer Center – Operation Teddy Bear Reading Program
- > Walk to End Alzheimer's
- > Walk to End Lupus Now
- > Working Wardrobes – Clothing Drive

## Children's Miracle Network

In 2014, through a variety of fundraising efforts, Kinecta and Nix members, customers and employees garnered nearly \$100,000 for Children's Miracle Network Hospitals.







**Online Giving** is a unique feature of Kinecta Direct Online Banking that gives members the opportunity to contribute \$1 or \$5 on a monthly, quarterly or annual basis to benefit Children's Miracle Network.



"No other company goes above and beyond with their clothing drive quite like Kinecta."

– Gina R., Working Wardrobes  
*Clothing Drive*

"My students were very touched by having total strangers come to their school and give them such an incredible gift."

– Broadacres Elementary School  
*Operation Teddy Bear Reading Program*

"You guys were awesome. The families were so touched by your kindness and generosity! You really made their holiday special."

– Gillian E., Veterans First  
*Adopt a Military Family*

# LEADERSHIP

## BOARD OF DIRECTORS



Jeffrey Y. Yonemura  
Chair



Paul A. James  
Vice Chair



Robert A. Young  
Treasurer



Mary Yasui-Yamabe  
Secretary



Darryl F. Johnson  
Associate Treasurer



Jacqueline Stafsudd  
Assistant Secretary



Suzanne M. Curtin  
Director

## KINECTA FINANCIAL MANAGEMENT COMPANY, LLC BOARD OF DIRECTORS

Robert A. Young, Chair; John N. Tessier, Vice Chair; Mary Yasui-Yamabe, Treasurer; Jacqueline Stafsudd, Secretary; Keith Sultemeier, Director

## KINECTA ALTERNATIVE FINANCIAL SOLUTIONS, INC. BOARD OF DIRECTORS

Darryl F. Johnson, Chair; Janet C. Sparrow, Vice Chair; Andrew L. Savoy, Treasurer; Suzanne M. Curtin, Secretary; Paul A. James, Director; Keith Sultemeier, Director

## SUPERVISORY COMMITTEE



Jeffrey S. Conrad  
Chair



Jeffrey W. Wells  
Secretary



Suzanne M. Curtin  
Member



Keith U. Landenberger  
Member



Mark D.S. Byrne  
Member



## EXECUTIVE STAFF



Keith Sultemeier  
President and  
Chief Executive  
Officer



Joseph E. Whitaker  
Executive Vice  
President, Chief  
Operating Officer



Gregory C. Talbott  
Senior Vice  
President,  
Chief Financial  
Officer



Maria S. Japardi  
First Vice President,  
Human Resources



Sharon L. Moseley  
Senior Vice  
President,  
Chief Information  
Officer



Luis Peralta  
Chief Operating  
Officer,  
Kinecta Alternative  
Financial  
Solutions, Inc.



Douglas C. Wicks  
President,  
Kinecta Financial  
Management  
Company, LLC

## VOLUNTEER ASSOCIATES



Signa M. Machuca



Laura M. Reyes

## DIRECTORS EMERITI



Andrew L. Savoy



Janet C. Sparrow



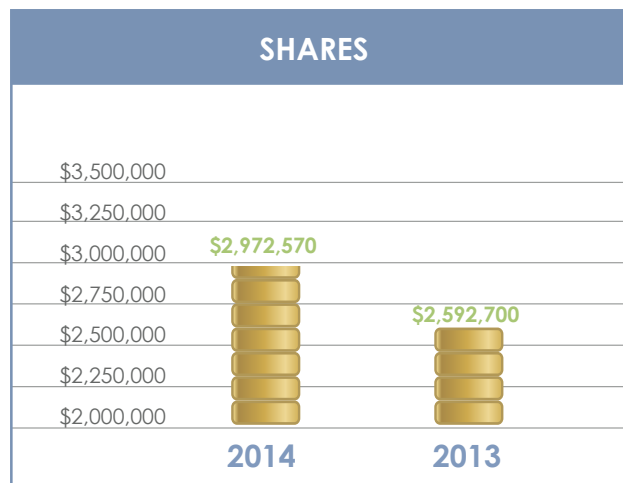
John N. Tessier

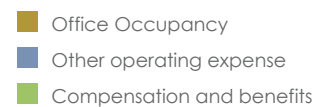
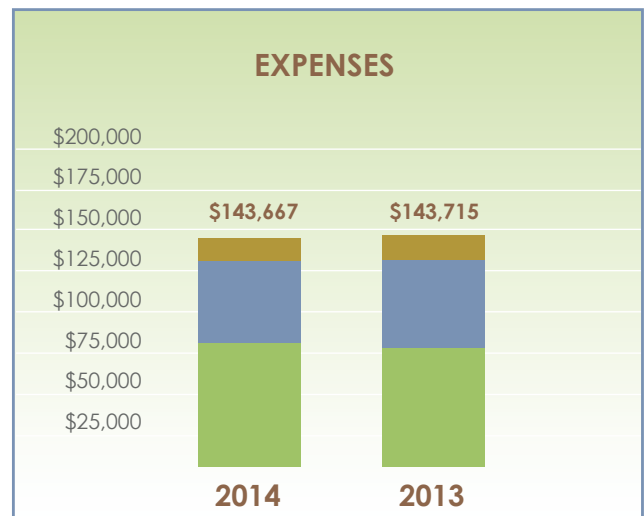
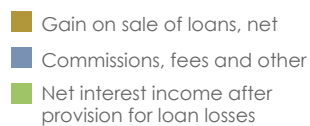
# FINANCIALS

## KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2014 AND 2013

(in thousands)	2014	2013
<b>Assets</b>		
Cash and investments	\$ 241,642	\$ 294,300
Loans receivable, net	3,171,264	2,706,673
Mortgage servicing rights	29,095	30,359
Premises and equipment	46,618	48,626
Goodwill and other intangibles	40,588	41,703
Other assets	70,591	70,719
Total assets	<u>\$ 3,599,798</u>	<u>\$ 3,192,380</u>
<b>Liabilities and Members' Equity</b>		
Liabilities:		
Members' shares	\$ 2,972,570	\$ 2,592,700
Borrowed funds	284,804	284,311
Accrued expenses and other liabilities	49,282	42,659
Total liabilities	<u>3,306,656</u>	<u>2,919,670</u>
Members' equity	293,142	272,710
Total liabilities and members' equity	<u>\$ 3,599,798</u>	<u>\$ 3,192,380</u>





## KINECTA FEDERAL CREDIT UNION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME YEARS ENDED DECEMBER 31, 2014 AND 2013

(in thousands)	2014	2013
Interest income	\$ 124,828	\$ 115,159
Interest expense	22,112	22,156
<b>Net interest income</b>	<u>102,716</u>	<u>93,003</u>
Provision for loan losses	4,762	3,079
<b>Net interest income after provision for loan losses</b>	<u>97,954</u>	<u>89,924</u>
<b>Noninterest income</b>		
Commissions, fees and other	59,230	54,875
Gain on sale of loans, net	9,151	23,427
Total noninterest income	<u>68,381</u>	<u>78,302</u>
<b>Noninterest expense:</b>		
Compensation and benefits	81,000	78,691
Office occupancy	13,020	12,897
Other operating expense	49,647	52,127
Total noninterest expense	<u>143,667</u>	<u>143,715</u>
<b>Net income</b>	<u>\$ 22,668</u>	<u>\$ 24,511</u>
Other comprehensive income (loss)	(2,236)	(512)
<b>Comprehensive income</b>	<u>\$ 20,432</u>	<u>\$ 23,999</u>



# Report of the **SUPERVISORY COMMITTEE**

The Supervisory Committee has engaged independent auditors to complete Kinecta Federal Credit Union's financial audit and examine the consolidated financial statements as of December 31, 2014 and 2013. The independent auditors have issued an unqualified opinion in their Independent Auditors' Report. The audited consolidated financial statements as of and for the years ended December 31, 2014 and 2013 (not presented herein) are available by calling the Credit Union's Member Contact Center at 800.854.9846.

The Credit Union's Condensed Consolidated Statements of Financial Condition as of December 31, 2014 and 2013 and Condensed Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2014 and 2013 are included herein on pages 8 and 9.

Based on our review and the result of our independent auditors' efforts, the Supervisory Committee believes the Credit Union has maintained accurate and timely accounting records and applied the policies and procedures established by the Board of Directors.



Jeffrey S. Conrad  
Chair, Supervisory Committee

## SERVICE PROVIDERS

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**Independent Auditors**  
Crowe Horwath  
Sherman Oaks, CA

**Legal & Regulatory Counsel**  
Styskal, Wiese & Melchione, LLP  
Glendale, CA

# We're here for you

## MEMBER SERVICE CENTERS

Our friendly, knowledgeable representatives are ready to serve you at 22 Kinecta Member Service Centers as well as 10 Nix Neighborhood Lending branches across Southern California. For a complete list of locations and operating hours, visit [www.kinecta.org](http://www.kinecta.org) and click on Locations.

## ONLINE BANKING

With Kinecta Direct Online Banking, it's easy to manage your Credit Union accounts any time. Review statements, transfer money between accounts, view and print cleared checks, apply for loans and a wide selection of other options. Enjoy the convenience of free Online Bill Payment, and go green by opting into eOnly statements at [www.kinecta.org](http://www.kinecta.org).

## MOBILE BANKING

View account history, deposit checks, transfer funds, monitor spending, locate fee-free ATMs and branches and much more – all from your smart phone or tablet. New: Text Banking and account alerts!

## KINECTA PHONE

Our automated voice response system allows you to handle many transactions whenever you choose. To set up phone banking access, just call our Member Contact Center at 800.854.9846, option 9. Service is available in English and Spanish.

## CO-OP SHARED BRANCHING

Our partnership with CO-OP Financial Services allows you to conduct transactions at more than 5,000 CO-OP Shared Branch credit union branches and 2,000 self-service locations in all 50 states. To find a shared branch near you, visit [www.kinecta.org](http://www.kinecta.org) and click on Locations, [www.co-opsharedbranch.org](http://www.co-opsharedbranch.org) or use the Kinecta Mobile Banking app.



## CO-OP ATM NETWORK

Forget about paying surcharge fees when you see the CO-OP Network logo at nearly 30,000 ATMs nationwide, including more than 2,000 participating 7-Eleven® stores. Find a nearby ATM at [www.kinecta.org/Locations](http://www.kinecta.org/Locations), [www.co-opatm.org](http://www.co-opatm.org) or via the Kinecta Mobile Banking app.

## MEMBER CONTACT CENTER – 800.854.9846

We are available to assist you personally Monday through Friday, from 7 a.m. to 7 p.m. and Saturdays from 9 a.m. to 5 p.m. Pacific Time.

## RETAIL MORTGAGE CENTERS

Our retail mortgage centers are staffed by experienced mortgage loan professionals and offer a variety of residential and commercial loans. Locations include Newport Beach; North San Diego; Mission Valley (San Diego); and Thousand Oaks.

Marlisa Mattia  
Business Development Officer



Heal the Bay Coastal Cleanup Day



Lanette Harris and Paula Taylor  
Consumer Lending Loan Officers



# MEMBERS SPEAK

*"I went into Kinecta and was able to open up my own credit card and establish credit. It helped me travel to Europe last year, and this year I'm planning on going to Bali."*

– Kelsey G.  
Member 3 years

*"In the future, Kinecta is going to be there for me. I've got daughters going into college, and I'm expecting that the Credit Union will help me pay for their education and help my wife and me into our retirement."*

– Mauricio R.  
Member 29 years

*"I can access anything to do with my account 24/7. I have it in my back pocket, on my phone."*

– Rebecca S.  
Member 14 years





*“Kinecta helped me get my second car loan. They gave me a great APR, and they got me into a fantastic vehicle, one of my favorite cars.”*

– Jordan N.  
Member 1½ years

Erin: *“They took a lot of extra time to offer us solutions and not just process another business loan.”*

John: *“Two Business Services consultants came out to visit. They got to know us, they met our employees, and they understood what we did. They saw that we were a real manufacturing business in California, and Kinecta could help us grow.”*

– John & Erin O.  
Members 2 years

*“They took my 15-year jumbo loan and had it refinanced in days, if not minutes.”*

– Eugene F.  
Member 20 years



*“My first job was with the Credit Union in 1966. I was at the groundbreaking for the new headquarters building on Airport Blvd., and I’m still a member!”*

*They’ve helped me all these years with home loans, car loans, personal loans and vacation loans.”*

– Gloria S.  
Member 49 years



# PUTTING PEOPLE FIRST:

MEMBERS EMPLOYEES COMMUNITIES

*All of the photographs in this Annual Report portray actual Kinecta members, employees and community volunteer events. Thank you to everyone who participated!*

Photo credits:

Sean Hiller – cover; page 2 left; page 11 left

Steve McCrank – inner front cover; page 2 right; page 11 right

Cover:  
Ahdriannah Worthey, Member  
Service Representative I,  
Manhattan Beach



1440 Rosecrans Avenue  
Manhattan Beach, CA 90266  
800.854.9846  
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