

Aiming Higher

Technology ★ Innovation ★ Commitment ★ Transparency

2019



ANNUAL REPORT



Aiming *Higher*

What drives us?

The energy of change.
Confidence in the future.
The potential of right now.

The opportunity to build...to transform.

We've refocused our priorities
and are growing stronger.
Working smarter.
Reaching further.

Driven by a bold ambition
and the knowledge that
we can create something better.

Like you, we're constantly aiming higher.

Continuity, renewal and results

The first year of new management leadership is critical to any organization and a successful transition is a top priority for the Justice Federal Credit Union Board of Directors.

Mark Robnett completed his first full year as Justice Federal's Chief Executive Officer in 2019. Mark focused on assembling an innovative and capable management team and updating the Credit Union's strategic vision and plan. Mark and his team's emphasis on digital solutions to expand and strengthen the Credit Union's technology foundation is transforming how Members bank with us today and in the future. Improved digital capabilities deliver the fast, convenient experiences Members expect. The application of advanced analytics and cyber-security enable Justice Federal to better anticipate our Members' needs and protect Member privacy.

I am pleased to report that your Credit Union is sound and performing well, as demonstrated by the 2019 financial results. As the Credit Union continues to grow with new Members and capitalize on new opportunities, I want to take a moment to recognize the efforts of all employees for working as one team delivering on our many accomplishments. These efforts would not be possible without the creativity, talent and passion of our people.

We thank you, our Members, for your faith in us to represent your interests. We take great pride in the Credit Union and we consider it a privilege to serve you.

Warm Regards,

Mary Ann Woodson

CHAIRMAN OF THE BOARD

How we work

Over the past 12 months, Justice Federal Credit Union delivered sound performance. The diversification of our operations continues to be a key strength: our mix of products is advantaged and resilient. Justice Federal has important strategic advantages, and we're facing the future with confidence—building on what works, then aiming higher.

Refocused strategic priorities

We're in business for our Members. Members lead our Credit Union—and their needs help determine where we go next. At the same time, the fundamentals of Justice Federal's strategy remain consistent and they're underpinned by the strengths that differentiate us: a strong culture; a diversified product mix; a respected brand; capital strength; astute risk management; and employee engagement. As we intensify efforts to accelerate growth, we've refocused Justice Federal's strategic priorities to reflect our business goals and guide decisions across the organization. They summarize how we're driving the Credit Union forward with confidence.

In 2019, Membership grew by nearly 3,600 new Members from the justice and law enforcement community. We are proud to announce the introduction of membership eligibility to InfraGard National, an FBI-affiliated nonprofit organization dedicated to strengthening national security, community resilience and the foundation of American life; and the National Tactical Officers Association representing law enforcement professionals across multiple disciplines including special operations within local, state and federal law enforcement agencies to our field of membership.

Scaling our technology

During the past year, we expanded Justice Federal's technology focus beyond the underlying architecture that supports our operations to new capabilities that will drive Member growth.

We effectively held our overall expenses, achieving a record-high \$10.7 million in net income with a return on assets of \$1.38 million for the year while maintaining close to double-digit growth in technology investment. A growing part of that investment is aimed at leveraging digital and data to transform the Member experience—and not

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just for Members who connect with us digitally. Technology also supports better interactions when Members choose to give us a call. In addition, it enhances Members' in-person banking experience through better infrastructure, faster product delivery, quicker loan adjudication, efficient end-to-end processes and more. We are also acutely aware, in this fast-moving environment, of the need to protect Member information. As an added layer of protection, we enhanced Digital Banking security and implemented a credit and debit card fraud and dispute scanning system. We can never take our eyes off this crucial tenet of our business. Moreover, we extend this vigilance throughout the Credit Union, educating Credit Union employees on risk-reduction strategies and raising awareness among our Members.

Innovating to drive efficiency

Technology makes our Members' lives easier—and enables us to work more efficiently. We're focused on both sides of the efficiency ratio, finding innovative ways to reduce costs while also increasing revenue.

To that end, we've created a new function that looks horizontally across the Credit Union for opportunities to boost both internal operations and competitive performance. It's a holistic approach to efficiency: generating value from data; simplifying processes in all areas; reimagining the workplace and how work gets done to make us all more productive; and exploring the role of automation and artificial intelligence in helping teams deliver high performance.

As an added catalyst, we recently launched a performance management tool that helps employees in all parts of the Credit Union to get work done on time and as planned by managing progress of projects, tasks, and team contributions towards strategy. This collaboration provides the power to accelerate the pace at which we can complete projects and reach critical goals while working as a more cohesive unit—One Team.

Working smarter

We've expanded, redesigned and strengthened Justice Federal's technology foundation. Now we're leveraging that investment to further transform how Members bank with us and pursue their financial goals.

With our powerful digital capabilities, we can deliver the fast, convenient experiences Members expect. By applying advanced analytics to our unique data assets, we can better anticipate Members' needs while intensifying cyber-security to protect their privacy. The benefits of this transformation are everywhere: branches that blend digital and face-to-face support and mobile features like remote deposit and biometric authentication. In addition, we introduced online applications that allow for applying for loans and membership. As innovations like these make Members' lives easier, they also enable us to work more efficiently. It's part of a Credit Union-wide push to reimagine the workplace of the future. We're streamlining processes, reducing costs and finding more agile, productive ways of collaborating assisted by automation and artificial intelligence. By unifying our efforts, we're building Member loyalty and accelerating growth.

Setting our sights higher

Recognized ethical standards. Shared values that define our brand. Earned trust that cements long-term relationships. A commitment to building opportunity matched by our passion for giving back to our Members. This is how we set our sights higher.

We create an inclusive workplace where everyone feels respected—and where diversity is a source of strength. Responsibility isn't just about following the rules; it's about working to keep the system fair and accountable while leading by example.

“*With the strength of our employees and our platform of diversified products and services, we not only have a positive impact on the lives of our Members—we can push boundaries and be a force for positive change in the workplace.*”

2019

With the strength of our employees and our platform of diversified products and services, we not only have a positive impact on the lives of our Members—we can push boundaries and be a force for positive change in the workplace.

Across Justice Federal, there is a genuine excitement about what we're accomplishing. Our Credit Union is mobilized and accelerating. In every new opportunity we take on, we're driven by a clear purpose and a bold ambition – one that mirrors the aspirations of our Members.

Reaching further

Fairness and equity. Transparency and sound governance. Trust reinforced by mutual respect. For an organization built on loyalty, these responsibilities are non-negotiable. They are as important to Justice Federal as they are to all of our Members.

Justice Federal's performance is driven by our employees—talented individuals from diverse backgrounds who know that by managing our Credit Union responsibly and transparently, we create value for all of our Members.

To help our Members achieve their goals, we've built a highly collaborative culture anchored by shared values and employee engagement. Our belief in doing what is right always has earned us recognition from our Members.

Our unique culture is also shaped by our belief that strategy must be grounded in a clear set of principles that guide Justice Federal's judicious business conduct; our responsible banking and lending practices; our promotion of diversity and inclusion; our stewardship; and our commitment to building strong partner relationships. Because we know that accelerating growth never means cutting corners.

Sincerely,

Mark L. Robnett

PRESIDENT & CHIEF EXECUTIVE OFFICER

Financially sound

Under the Federal Credit Union Act, your Supervisory Committee—appointed by the Justice Federal Board of Directors—is responsible for providing assurance that the Credit Union’s operations are carried out in a safe and sound manner in accordance with the Federal Credit Union Act and the regulations of the National Credit Union Administration (NCUA).

The Supervisory Committee is represented at all Board of Directors meetings and attends key meetings with the Board and Executive team. We meet regularly with NCUA examiners and external auditors to monitor and evaluate internal controls that help ensure that your assets are safeguarded and that Justice Federal is operating effectively and efficiently.

The Supervisory Committee is assisted by the Certified Public Accounting firm Doeren Mayhew, the Credit Union’s external auditor. As one of the nation’s leading CPA firms, Doeren Mayhew is comprised of cross-functional professionals delivering industry-focused expertise to more than 350 financial institutions across the nation. The 2019 audit report was “unmodified” indicating the financial statements of the Credit Union were fairly stated.

In addition to the annual audit as described above, the Supervisory Committee directs the efforts of the Credit Union’s internal audit function. Periodic audits of the Credit Union’s key risk areas provide an additional layer of review of the effectiveness of the internal control mechanisms used by the Credit Union. Tests and reviews are performed on the overall system of internal control, adherence to policies and procedures and accounting principles, as well as compliance with Federal Regulations.

The NCUA also conducts annual examinations. In 2019, the NCUA again provided an overall rating indicative of a well-operated Credit Union serving the needs of the Members. The NCUA looked at seven major risk areas: Credit Risk, Interest Rate Risk, Liquidity Risk, Transaction Risk, Compliance Risk, and Strategic Risk.

The Supervisory Committee reports that Justice Federal continues to remain in compliance with laws and regulations, operating in a sound manner, and capable of withstanding business fluctuations.

The Supervisory Committee also acts as an ombudsman for Members. If ever you need assistance that cannot be resolved through normal channels, we encourage you to contact us at the following address: The Supervisory Committee, Attention: Supervisory Committee Chairwoman, P.O. Box 231381, Centreville, VA, 20120-1381.

Sincerely,

Ellen Warwick

SUPERVISORY COMMITTEE CHAIRWOMAN

COMPARATIVE BALANCE SHEET

ASSETS	2019	2018
Gross Loans	563,059,694	617,650,860
Allowance for Loan Losses	(4,432,576)	(5,990,872)
Net Loans	558,627,119	611,659,988
Cash & Cash Equivalents	119,296,897	45,985,818
Investments	67,526,758	85,857,322
Other Assets	43,947,064	36,206,642
Total Assets	789,397,837	779,709,770
Liabilities		
Accounts Payable	6,260,288	6,384,834
Notes Payable	45,000,000	80,000,000
Dividends Payable	815,961	657,005
Accrued Expenses	6,251,544	5,666,224
Total Liabilities	58,327,793	92,708,063
Member Shares		
Regular Shares	198,267,832	196,734,027
Share Draft	146,354,182	140,773,489
Money Market	128,613,862	131,727,381
IRA	11,497,048	11,507,492
Share Certificate	155,779,366	128,552,884
Total Member Shares	640,512,290	609,295,273
Regular Reserves	6,635,800	6,635,800
Undivided Earnings	84,149,282	73,423,920
Unrealized Gain / (Loss)	(227,328)	(2,353,286)
Total Reserves	90,557,754	77,706,434
Total Liabilities, Members' Shares and Reserves	789,397,837	779,709,770

COMPARATIVE INCOME STATEMENT

INCOME	2019	2018
Loan Income	34,321,662	32,079,541
Investment Income	3,089,310	3,092,114
Other Income	9,186,604	7,415,836
Total Income	46,597,576	42,587,491
Expenses		
Dividend Expense	3,558,286	2,729,319
Compensation & Benefits	15,203,949	15,900,522
Office Occupancy & Operations	7,036,942	7,141,998
General & Admin. Expenses	6,289,718	7,427,602
Provision for Loan Losses	2,340,960	6,437,136
Interest on Borrowed Money	1,442,359	1,562,638
NCUSIF premium assessment	—	—
Total Expenses	35,872,214	41,199,215
Net Operating Income	10,725,362	1,388,276
Net Income	10,725,362	1,388,276

Management ★ 2019–2020

BOARD OF DIRECTORS

Mary Ann Woodson, *Chairman*

Roger L. Trott, *Vice Chairman*

John F. Greaney, *Treasurer*

Joan A. Buckley, *Secretary*

Emily F. Kaplun

Gregory P. Polonica

D. Jerry Rubino

Angela Ting

Thomas L. Wiseman

Thomas J. Baker, *Director Emeritus*

SUPERVISORY COMMITTEE

Ellen Warwick, *Chairwoman*

Robin A. Stark-Nutter

Angela Ting

Roberta Wong-Brink

EXECUTIVE MANAGEMENT

Mark L. Robnett, *President & CEO*

Dianna Wilson, *Senior Vice President, Lending*

Susan Baugh, *Vice President, Risk & Compliance*

Karen Bohn, *Senior Vice President, Operations*

David Jensen, *Senior Vice President, Finance*

*Serving
Justice Across
the Nation[®]*



HEADQUARTERS

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