Annual Report
2013

Your savings are federally insured to at least $250,000 by the National Credit Union Administration (NCUA).
Fitzsimons completed 2013 in a strong position. Many of the objectives in the areas of loan and member growth were carried over from the prior year while other objectives were completed. Electronic service delivery was expanded and new products were added to meet the needs of demographics within the credit union’s field of membership. Gradual improvements to the US economy have lowered the credit union’s mortgage loan default risk, yet the associated low rate environment continues to impact our member savers. Fallout from the recession which ended in mid-2009 has led Fitzsimons to invest more and more in training and education to stay current with ever changing regulations. Financially, the credit union posted its third consecutive year of positive earnings and was able to increase its net worth ratio to 11.96%.

Progressively more members are conducting their business away from traditional “brick and mortar” branch locations as the functionality of electronic service channels expands. To meet this growing trend, Fitzsimons increased the functionality of its online services by adding an Android mobile application, a Quicken interface, and institution to institution transfer capability whereby members can transfer funds between Fitzsimons and other financial institutions. Fitzsimons will continue to research and implement secure online delivery as these services are a growing expectation of our membership when conducting their everyday business. This is not to say that Fitzsimons will relinquish the personal service members expect to receive in person and over the phone.

For nearly two years, Fitzsimons has worked on reevaluating and expanding its product mix to reflect the needs of its membership and to promote lending objectives. Products added in the year were VISA® prepaid reloadable cards and MoneyGram remittance services while business product suites were updated with new features and benefits. Fitzsimons now has the ability to instantly issue VISA® debit and VISA® reloadable cards at either branch location. Nearly 22% of Fitzsimons staff are bilingual and provide a valuable service to an important, and often underserved, demographic of our membership. Expanding product offerings such as SAFE accounts and credit builder loans will benefit this demographic and the membership overall by pulling business from check-cashing and money service businesses that often exploit individuals by charging outrageous fees and interest rates.

Growing loans continues to be the focus of the credit union long term. Extending credit is a primary purpose for why Fitzsimons exists, but growing loans is dependent on many factors, often economic, that are beyond its control. To that end, Fitzsimons looked to loosen underwriting in the year on most consumer and mortgage loans, and rolled out auto lease and risk-based insured lending. Fitzsimons saw an increase in auto loans during the 4th quarter of 2013, and this trend is expected to continue through 2014. Much of the loan growth experienced during the year came from participation in commercial real estate loans. These loans are often larger amount real estate secured loans that are divided between a number of other credit unions that share the funding, interest income, and default risk proportionately. These loans are expected to grow at a slower pace than what Fitzsimons experienced in 2013, especially if member auto loan growth picks up.

Management is persistently attentive of economic trends or factors that influence member behavior. Compared with prior years, 2013 was relatively calm. The Colorado unemployment rate fell from 7.4% to 6.2%, housing prices appreciated, and overall retail auto sales were up during the year. Much of the turmoil and associated losses related to the recession have passed and regulations formed as a result of the recession are now taking hold. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act became law and established the Consumer Financial Protection Bureau (CFPB) which consolidates most Federal consumer financial protection authority in one place. The CFPB is focused on watching out for American consumers in the market for consumer financial products and services rather than on financial institution safety and soundness or on monetary policy. While Fitzsimons and credit unions in general did not use unfair, deceptive, or abusive practices that led to the recession, they are still subject to regulations formed as a result of it. During 2013, Fitzsimons worked with its vendors to adjust policies and procedures to meet the first round of CFPB regulations addressing mortgage lending which became effective in early 2014. As future regulations are released by the CFPB, Fitzsimons will be prepared.

A recent card data breach reported by Target Corporation during 2013’s busy holiday shopping season reminds us that risk is ever-present. We are well versed in the operational risks associated with providing loans, opening memberships, cashing checks, etc., but the Target data breach was unique in that it occurred externally, beyond our control. We are proud to say that once we received notification of the breach we reacted promptly in notifying the membership and reissuing cards to mitigate losses and assuage member concerns. Unfortunately, this data breach will not be the last as fraudsters continually look for ways to hack databases and steal identities. Fitzsimons will remain vigilant in protecting member data and is prepared to protect its members from any future threats that may arise.

We are proud to report that Fitzsimons experienced another successful year. Opportunities for loan and member growth slowly improved alongside a recovering economy. Management has worked diligently this past year to strengthen staff for succession, build and expand member products and service delivery, meet the needs of a diverse member demographic, and monitor and respond to operational and nontraditional risks. As a member-owned cooperative, Fitzsimons exists for you and welcomes any suggestions on how we may serve you.

The members of the board of directors and the management team want to thank you for your continued loyalty.

THOMAS H. SMITH
Board Chair

SANDY NEVES
President & Chief Executive Officer
Thomas H. Smith, Board Chair
Has been a member since 1967 and has over 30 years of volunteer service with the credit union. Mr. Smith received education from Regis College and the Denver Paralegal Institute. Mr. Smith retired from the U.S. Military.

George H. Touchard, Board Vice Chair
Has been a member since 1980 with over 25 years of volunteer support to the credit union. Mr. Touchard retired from the U.S. Military.

Ruth E. Bigham, Board Secretary
Has been a member since 1968 and has over 20 years of volunteer service on the Board of Directors. Ms. Bigham is retired from the Civil Service.

Lyle R. Artz, Board Treasurer
New to the board in 2010, Lyle was previously a volunteer for 8 years on the Supervisory Committee. Mr. Artz is retired from the U.S. Military and currently works for the Fitzsimons Redevelopment Authority.

James L. Dye, Board Member
Has been a volunteer and member supporting the credit union for over 25 years and was also the Supervisory Committee Chair. Mr. Dye retired from the U.S. Military and Civil Service.

Executive & Management Team
Sandy Neves
President & Chief Executive Officer

Robert Fryberger
Executive Vice President

Dave Erickson
Vice President Finance

Andrey Parshenkov
Vice President Information Technology

Kim Awaznezhad
Vice President Branch Operations

Cheri Prochazka
Vice President Human Resources

Nina Myers
Vice President Lending

Randall Skitt
Accounting Manager

Polina Yakusheva
Marketing Manager

Renee Grimm
Branch Manager

Jonathan Sharp
Branch Manager

Brett Slayden
Branch Operations Manager

LaVonda Dulaney
Communication Center Manager

Supervisory Committee
Robert Fritsch
Committee Chair

Anthony Briseno
Committee Secretary

Judy Thomas
Committee Member

Donald Wagner
Committee Member

Ruth Bigham
Committee Member
Fitzsimons Credit Union remained a healthy, well-capitalized financial institution in 2013 and achieved a third consecutive year of positive income. Expenses related to the recession such as increased loan losses and federally mandated stabilization assessments have dissipated. As the US economy gradually improves, so will the financial condition of the credit union, thereby freeing more resources toward expanding and improving products and services to you, our members. The credit union continues to benefit from low loan delinquency and fewer loans being written-off which translates into smaller levels of required loan loss reserves and reduced monthly provision expense. This is a dramatic change from nearly four years ago at the tail end of the recession when the credit union expensed and set aside substantial funds for potential loan losses in the loss reserve (allowance) and posted net losses for 2009 and 2010. As the economy has slowly improved and actual loan charge-offs have fallen, the credit union has lowered its loan loss estimates and corresponding expenses, resulting in increased income.

The credit union continues to be assessed annually for expenses related to stabilization of the corporate credit union system, but at a declining rate. For 2013, the credit union’s cost to the stabilization fund was $111K, a significant decrease from the assessments of $132K in 2012 and $333K in 2011. There have been no premium charges by the National Credit Union Share Insurance Fund (NCUSIF) from 2011 to 2013, reflecting the strength of the insurance backing member deposits. No charges are expected in 2014 for either the corporate stabilization fund or the share insurance fund.

Loans are vital to Fitzsimons’ financial performance because they provide the majority of the credit union’s income and they yield more than investments. More importantly, lending is at the core of why the credit union exists: meeting the credit needs of its member-owners. In 2013, total loan balances increased by 5.96%; however, due to lower loan interest rates, interest income from loans declined 10.4%, providing less revenue to cover operating expenses, loan losses and dividends to the membership. Management recognizes that loan growth goes hand in hand with the economic climate, as consumers are less likely to borrow when there is uncertainty surrounding employment, creditworthiness, and home values. While Fitzsimons Credit Union cannot allay all economic concerns, it will continue to offer competitively priced lending options and work with members in need of financial assistance.

2013 was profitable for the credit union as some of the initial reactions to potential loan losses in previous years have allowed for the absorption of current loan losses without the need to expense and set aside additional reserve funding. At a time when the economy is slowly recovering, we know it will be challenging in 2014 to increase lending and manage expenses. Statements made by the Federal Reserve Board indicate that short-term rates are expected to remain low for an extended period, and the credit union is prepared to operate and serve its members should this low rate environment persist. This is made possible by not taking undue risk prior to, during or after the recession, thereby preserving the credit union’s net worth position. Your board and management will always make operating a safe and sound institution a priority for Fitzsimons. We thank our member-partners for their loyalty over the last year.

LYLE R. ARTZ
Board Treasurer

Statement of Financial Condition

<table>
<thead>
<tr>
<th>Assets</th>
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<tbody>
<tr>
<td>Total Loans</td>
<td>83,165,861</td>
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<tr>
<td>Allowance for Loan Losses</td>
<td>(1,910,362)</td>
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<tr>
<td>Net Loans</td>
<td>81,255,499</td>
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<td>Cash and Investments</td>
<td>68,959,127</td>
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<td>Fixed Assets</td>
<td>8,363,603</td>
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<td>Share Insurance Capitalization Deposit</td>
<td>1,387,653</td>
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<tr>
<td>All Other Assets</td>
<td>5,027,449</td>
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<tr>
<td>Total Other Assets</td>
<td>14,716,705.65</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$165,913,332</strong></td>
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<table>
<thead>
<tr>
<th>Liabilities, Shares &amp; Equity</th>
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<tbody>
<tr>
<td>Accounts Payable &amp; Other Liabilities</td>
<td>1,864,909</td>
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<td>Regular &amp; IRA Shares</td>
<td>52,356,845</td>
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<td>Share Drafts</td>
<td>26,823,434</td>
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<td>Money Market Shares</td>
<td>20,067,987</td>
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<td>Share &amp; IRA Certificates</td>
<td>45,236,462</td>
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<td>Total Shares &amp; Certificates</td>
<td>143,486,788</td>
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<tr>
<td>Regular Reserve &amp; Undivided Earnings</td>
<td>19,731,448</td>
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<tr>
<td>Unrealized Gain/(Loss) on Investments</td>
<td>(99,733)</td>
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<tr>
<td><strong>Total Net Worth &amp; Unrealized Inv Loss</strong></td>
<td><strong>19,661,716</strong></td>
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<tr>
<td><strong>Total Liabilities, Shares &amp; Equity</strong></td>
<td><strong>$165,913,332</strong></td>
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Statement of Income

<table>
<thead>
<tr>
<th>Interest Income</th>
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<tbody>
<tr>
<td>Interest on Loans</td>
<td>3,824,359</td>
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<tr>
<td>Income from Investments</td>
<td>671,881</td>
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<tr>
<td><strong>Total Interest Income</strong></td>
<td><strong>4,496,240</strong></td>
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<tr>
<td>Interest Expense</td>
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<tr>
<td>Dividends on Shares</td>
<td>538,891</td>
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<tr>
<td>Interest of Borrowed Money</td>
<td>606</td>
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<tr>
<td><strong>Total Interest Expense</strong></td>
<td><strong>599,497</strong></td>
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<tr>
<td><strong>Net Interest Income Before Provision for Loan Losses</strong></td>
<td><strong>3,896,743</strong></td>
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<tr>
<td>Provision for Loan Losses</td>
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<tr>
<td><strong>Net Interest Income After Provision for Loan Losses</strong></td>
<td><strong>3,896,743</strong></td>
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<tr>
<th>Operating Expense</th>
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<tbody>
<tr>
<td>Employee Compensation &amp; Benefits</td>
<td>2,571,814</td>
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<tr>
<td>Travel &amp; Conference</td>
<td>72,093</td>
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<tr>
<td>Office Occupancy</td>
<td>575,797</td>
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<tr>
<td>Office Operations</td>
<td>1,439,343</td>
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<tr>
<td>Educational/Promotional</td>
<td>209,422</td>
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<tr>
<td>Loan Servicing</td>
<td>226,236</td>
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<tr>
<td>Professional/Outside Services</td>
<td>320,457</td>
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<tr>
<td>Members Insurance/Corporate CU Stabilization</td>
<td>111,912</td>
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<tr>
<td>NCUSIF Operating Fee</td>
<td>36,861</td>
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<tr>
<td>Miscellaneous Operating Expense</td>
<td>11,340</td>
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<tr>
<td><strong>Total Operating Expense</strong></td>
<td><strong>5,974,335</strong></td>
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<tr>
<td>Fee and Other Income</td>
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<tr>
<td>Fee Income</td>
<td>1,260,988</td>
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<tr>
<td>Other Operating Income</td>
<td>918,206</td>
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<tr>
<td><strong>Total Fee and Other Income</strong></td>
<td><strong>2,179,194</strong></td>
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<tr>
<td><strong>Net Operating Income</strong></td>
<td><strong>561,601</strong></td>
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<tr>
<td>Gains on Disposition of Assets</td>
<td>22,270</td>
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<tr>
<td><strong>Net Income</strong></td>
<td><strong>583,871</strong></td>
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Statement of Cash Flows

For the period January 1, 2013 through December 31, 2013
Increase or (Decrease) in Cash and Cash Equivalents

Liquidity: Level 1

CASH FLOWS FROM OPERATING ACTIVITIES:
- Interest Payments from Member's Loans 3,991,928.04
- Interest Payments from Investments 1,608,317.11
- Non-Interest Income 1,937,218.26
- Dividends Paid on Members' Accounts (538,690.91)
- Interest Paid on Borrowed Funds (94.59)
- Operating Expenses (5,429,190.18)
- Other Balance Sheet Changes 221,395.61

Net Cash Provided or (Used) in Operating Activities 1,790,683.34

CASH FLOWS FROM INVESTING ACTIVITIES:
- New Loans Made (Excludes LOCs) (28,448,617.09)
- Net Line-of-Credit Activity 578,254.40
- Proceeds from Payback of Non-LOC Loans 22,603,732.25
- Purchases of Investment Securities (29,158,334.51)
- Proceeds from Maturity of Investment Securities 26,951,244.52
- (Increase)/Decrease in Long Term Investments (7,500.00)
- Purchases of Fixed Assets (43,984.27)
- Proceeds on Disposition of Fixed Assets 0.00
- Purchases/Contributions to 457F, CUSO or COLI Assets (2,685,111.79)
- Proceeds from Sale of Other Real Estate Owned 229,037.42
- (Increase)/Decrease in NCUSIF Deposit 3,248.84

Net Cash Provided or (Used) by Investment Activities (9,777,630.23)

CASH FLOWS FROM FINANCING ACTIVITIES:
- Net Increase/(Decrease) in Regular Shares 4,077,201.53
- Net Increase/(Decrease) in IRA Balances 100,158.59
- Net Increase/(Decrease) in Share Draft Balances 1,183,378.45
- Net Increase/(Decrease) in Money Market Balances 1,371,443.26
- Proceeds from Sale and Renewal of Member Certificates 44,753,877.31
- Payments from Maturing Member Certificates (49,856,319.94)
- Net Increase/(Decrease) in Short-Term Borrowed Funds 0.00

Net Cash Provided or (Used) by Financing Activities 1,629,739.20

Net Increase or (Decrease) in Cash & Cash Equivalents (6,357,207.69)
Cash & Cash Equivalents at beginning of period 15,656,521.63
Cash & Cash Equivalents at end of period 9,299,313.94

Liquidity: Level 2

Available Lines of Credit to FFCU (FHLB & Corp) 13,290,899.00
Cumulative Total Level 2 22,590,212.94

Liquidity: Level 3

Unfunded Commitments to Members (LOC, CP) (14,751,011.07)
Cumulative Total Level 3 7,839,201.87
Unfunded Commitments Coverage 153%

Liquidity Ratios
- Level 1: Source/Use
- Level 1: Liquidity/Assets 5.64%
- Level 2: Source/Use
- Level 2: Liquidity/Assets 13.69%
- Level 3: Source/Use
- Level 3: Liquidity/Assets 4.75%

Disclosure of accounting policy: Cash & Cash Equivalents consist of cash on hand and deposits with SunCorp Corporate Credit Union, the Federal Reserve Bank and the Federal Home Loan Bank. All balances are maintained in a variety of forms of less than 90 days, or treated as such in the statement of cash flows. All investments are treated as having original maturities of less than 90 days. Share draft accounts and borrowing activity are considered short term and the net increase or decrease is reported in the statement of cash flows. Share & IRA certificates and all other share Accounts are treated as long term and reported as gross receipts and gross payments on the statement of cash flows.

Independent Auditors’ Report

February 3, 2014

To the Members, Board of Directors, and Supervisory Committee of
Fitzsimons Federal Credit Union
Aurora, Colorado

We were engaged by Fitzsimons Federal Credit Union to perform an independent audit of the Credit Union’s financial statements for the year ended September 30, 2013. We have issued our independent auditors’ report dated December 30, 2013.

In the independent auditors’ report, we expressed an unqualified opinion on the Credit Union’s financial statements. An unqualified opinion states that the financial statements present fairly, in all material respects, the financial condition of the Credit Union as of September 30, 2013, and the results of its operations and cash flows for the year then ended.

A full copy of the independent auditors’ report and audited financial statements is available from the Credit Union upon request.

Sincerely,

Holben  Hay  Lake  Balzer
Certified Public Accountants LLC
Denver, CO
The National Credit Union Administration (NCUA) requires that the supervisory committee be responsible to ensure that the board of directors and management of Fitzsimons Federal Credit Union (FFCU) meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members’ assets. In satisfying this requirement, the supervisory committee assures that (1) internal controls are in place and effectively maintained, (2) accounting records and financial reports are accurate, and (3) plans, policies and controls are properly administered by the board to safeguard against error, conflict of interest, self-dealing and fraud.

Holben Hay Lake Balzer, first hired in 2010, conducted the 2013 annual opinion audit and expressed an unqualified opinion on the credit union’s financial statements for the period ending September 30, 2013. The purpose of the opinion audit is to review the credit union’s accounting records and financial reports in accordance with auditing standards generally accepted in the United States of America. Those standards require that the auditors plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. A component of the opinion audit includes performing a verification of members’ accounts against the credit union’s records. The independent auditors’ report indicates the audited financial statements as of September 30, 2013 and 2012, present fairly, in all material respects, the financial condition of the credit union.

The unaudited financial statements as of December 31, 2013, as listed in the annual report can not be verified by the supervisory committee; however, there have been no material changes in accounting policies or management of the credit union that would cause concern.

In addition to the annual opinion audit, the supervisory committee engaged Rebecca Z. Clowers, CPA, to conduct quarterly audits of the credit union’s internal controls. Internal controls include operating procedures, staff structure and other measures within the credit union to safeguard member assets, check the accuracy and reliability of accounting data, and encourage compliance with board policies. Internal controls minimize the possibility that errors or fraud remain undetected for any length of time.

Your credit union received a variety of audits/examinations in 2013, which were reviewed by the supervisory committee. I am happy to report there were no material misstatements or findings. Management cooperated fully with the supervisory committee, examiners and auditors. They responded promptly and seriously considered any recommendations.

It has been a pleasure serving the FFCU membership. Additionally, we thank the board of directors, the management and staff for their support and cooperation that assists the supervisory committee in carrying out its responsibilities to the membership.

ROBERT G. FRITSCH
Supervisory Committee Chair
that’s what partners are for.