



# 2019 ANNUAL REPORT



# To our community of members:

We look back on 2019 as a year of great accomplishment and achievement for our organization and its membership. Under normal circumstances, this report would contain information on how we improved member service, completed a major merger, and experienced strong growth and financial results. While 2019 was a banner year in so many ways, we did not anticipate the COVID-19 global pandemic that has hit our community so hard.

As we write this report in early 2020, we will seek to cover both the highlights of 2019, while referencing some of the actions we have taken to ensure our employees and members remain safe, and to continue to meet member needs and provide relief as the fight against COVID-19 continues.

If we sum the entirety of the many accomplishments and achievements of 2019 into one word, that word is "expansion." Our expansion efforts were deliberate and consistent with plans for strategic growth and relevance as a financial services provider. During the year, we expanded our commercial services to include a full range of deposits and loans, including SBA expertise, so that we are competitive with any institution in our market. We expanded our geographic footprint outside of Michigan to include six counties in Ohio, and added new branches in Ann Arbor, Clinton Township, Davison, and Southfield. These efforts have diversified and strengthened our balance sheet and created opportunities for continued growth and relevance.

This expansion was not at the cost of member service, a positive work environment, or strong financial returns. Internal and independently measured satisfaction levels for both members and employees strengthened to their highest levels during the year. For a second consecutive year, we were among only five credit unions in Michigan to earn the prestigious Forbes "Best-in-State" designation (ranked #2 in Michigan). We also retained our five-star rating for financial strength from Bauer Financial Services.

Total assets at year-end were \$1.49 billion; this is an increase of 25% compared to 2018. Much of this growth

came from the purchase and acquisition of Hantz Bank, completed at mid-year. We had one of our strongest lending years ever with \$414.4 million in closed loans, 75% of which were first mortgages and auto loans. Deposit growth was very strong, and at year-end deposits were \$1.43 billion. Asset quality measured as delinquency and loan losses was the strongest in history. Although expenses were elevated due to the bank acquisition, they were as forecast, and net income was a strong \$9.5 million in 2019. The net worth ratio at year-end exceeded the highest federal capitalization standard of "well capitalized."

## 2020 – Looking Forward

The final consolidation of former Hantz Bank accounts into Credit Union ONE systems, and the implementation of a completely new mobile/online banking platform, will take place by mid-year. Beyond these two major efforts that were underway at year-end, there are many other initiatives to improve service and delivery planned for 2020. We are also cognizant of the great uncertainty COVID-19 has brought to our membership and community. The Board of Directors and Leadership Team are steadfast in our commitment to employee and member safety while ensuring we continue to meet member needs.

Financial institutions are considered critical infrastructure, and we have remained open and operational during the lockdown. In order to maintain a safe and secure work environment, our organization had to shift its normal operating environment almost overnight. We truly appreciate your patience as our employees have adapted to wearing PPE, following CDC guidelines, and working from home. The team has worked incredibly hard through difficult circumstances to meet member needs.

In addition to the great effort put forth to remain open and functional, we have taken multiple steps to assist members negatively impacted by COVID-19. Thousands of members have been granted loan payment deferrals. We also suspended negative credit reporting, stopped all repossession activity, and committed not to foreclose on


any mortgages during this crisis. Our Commercial Lending team has closed \$23 million in Paycheck Protection Program loans to help keep small businesses afloat. We also created a quick approval loan to help healthcare workers and first responders meet short-term needs – so far, we have closed over \$750,000 in these loans at an average of just under \$2,000 per loan.

While writing this report in early 2020, we do not yet fully understand the impact of COVID-19. It is clear the pandemic has disrupted lives and is causing financial stress. Regardless of the outcome, we are confident Credit Union ONE will be there for our members, delivering remarkable products and services. Our confidence

is rooted in an 80-year record of delivering value, a strong balance sheet, and an amazingly talented team of directors and staff. 2019 was a year of great success and progress for the organization in a traditional sense. There is nothing traditional about our current operating environment, but there is no doubt as to our success, when measured as delivering value to our members when it is needed the most. We thank you for your membership and continued relationship.



Paul Stuart  
Chairman of the Board



Gary A. Moody  
Chief Executive Officer

## Report of the Audit Committee

The Audit Committee is a standing committee of the Board of Directors. Directors serving on this committee during 2019 were Dave Prybys (Chairperson), Juanita Reid (Vice Chairperson), Jan Gillespie, Rudolph Montano, Jr., Nick Nickolopoulos, and Gail Westover. The role of the committee is to assist the board of directors in monitoring the following:

- Internal controls related to financial reporting and independent audits of the credit union's financial statements;
- Qualifications and independence of auditors and the performance of internal auditors;
- Enterprise risk standards;
- Compliance with legal and regulatory requirements;
- Compliance with board policies and internal controls and procedures.

The Audit Committee established a risk-based 2019 internal audit schedule and met quarterly with senior executives and audit professionals to review audit reports covering various operational areas of the credit union.

In addition, the committee reviewed the credit union's Report of Examination from the Michigan Department of Insurance and Financial Services and the National Credit Union Administration. The committee is pleased to report that there were no material findings or weaknesses in controls identified in any audit or examination reports received and reviewed during the year.

The Audit Committee also engaged cybersecurity and audit firms to conduct penetration testing, vulnerability scans, and other data/technology controls audits. The results of these tests and audits, which were also reported and reviewed by the Technology Committee of the Board of Directors, confirmed that the credit union's team and its processes conform to industry standards.

Finally, the Audit Committee engaged the certified public accounting firm Doeren Mayhew to conduct the credit union's 2019 annual audit and verification of members. We are pleased to report that there were no material findings or identified weaknesses in controls. Condensed and consolidated financial statements for 2018 and 2019 are provided in this report for your review.

Respectfully,



David Prybys  
Chairman, Audit Committee



### OUR MISSION STATEMENT

Credit Union ONE is committed to providing exceptional value to its members by delivering outstanding products and services anytime, anywhere.

### OUR PURPOSE

To meet our members' financial service needs throughout their lifetimes.

### OUR CORE VALUES

**Integrity:** Uphold the highest standards of conduct in all of our actions.

**Respect:** Treat people with dignity.

**Financial Stewardship:** Promote financial safety and soundness.

**Member Commitment:** Develop relationships that make a positive difference in our members' lives.

**Employee Commitment:** Value our employees, encourage development, and reward positive performance.

### VALUE PROPOSITION

**Accessible: Available when it's convenient for me.**

They provide me with choices to perform transactions, find information, or receive trusted advice. Every interaction is consistent, secure, and fast, no matter how or when I choose to do my banking.

**Easy: Banking that simplifies my life.**

They respect my busy life by making banking easy. Everything is simple, clear, and easy to find; there are no surprises.

**Meaningful: Solutions that add value.**

They engage me to truly understand my needs. Based upon my circumstances, I am offered relevant solutions that add value.

**Dedicated: Acts in my best interest.**

They act in my best interest, recognize me as a valued member, and sincerely provide great service. I can rely on them if I need help, and I know they will resolve an issue quickly.

## Board of Directors



**Paul W. Stuart**  
*Chairman*



**Guadalupe G. Lara**  
*Vice Chairwoman*



**Joan Stefanski**  
*Secretary/Treasurer*



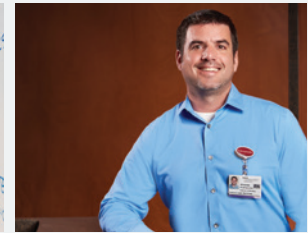
**Christine Dowhan-Bailey**  
*Director*



**Jan Gillespie**  
*Director*



**Rudolph R. Montano, Jr.**  
*Director*



**Nickolas Nickolopoulos**  
*Director*



**David C. Prybys**  
*Director*



**Ray Redmond**  
*Director*



**Juanita M. Reid**  
*Director*



**Gail Westover**  
*Director*

### NOT PICTURED

**Dino Deponio**  
*Associate Director*

## Condensed Consolidated Statement of Financial Condition

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 115,057,738	\$ 68,545,195
Interest-bearing deposits	\$ 1,736,000	\$ 2,481,525
Investment securities:		
Available-for-sale	\$ 99,981,090	\$ 139,098,632
FHLB stock	\$ 2,700,000	\$ 2,700,000
Loans to members, net of allowance for loan losses	\$ 1,142,681,458	\$ 899,450,250
Accrued interest receivable	\$ 3,582,270	\$ 3,029,088
Property and equipment	\$ 32,563,502	\$ 30,570,904
NCUSIF deposit	\$ 11,874,809	\$ 10,499,197
Alloya perpetual contributed capital deposit	\$ 1,089,800	\$ 1,089,800
Investment in CUSO	\$ 2,995,553	\$ 3,006,015
Investments in life insurance contracts	\$ 19,956,138	\$ 19,191,948
Goodwill	\$ 32,436,094	\$ —
Other assets	\$ 23,636,581	\$ 11,163,710
<b>Total Assets</b>	<b>\$ 1,490,291,033</b>	<b>\$ 1,190,826,264</b>
<b>Liabilities and Members' Equity</b>		
Members' shares and savings accounts	\$ 1,335,323,907	\$ 1,047,970,010
Borrowed funds	\$ 25,000,000	\$ 25,000,000
Accrued expenses and other liabilities	\$ 8,040,073	\$ 9,031,368
<b>Total Liabilities</b>	<b>\$ 1,368,363,980</b>	<b>\$ 1,082,001,378</b>
Commitments and contingent liabilities	\$ —	\$ —
Members' equity — substantially restricted	\$ 121,927,053	\$ 108,824,886
<b>Total Liabilities and Members' Equity</b>	<b>\$ 1,490,291,033</b>	<b>\$ 1,190,826,264</b>

The certified public accounting firm of Doeren Mayhew audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial condition of Credit Union ONE and subsidiaries as of December 31, 2019, and the related statements of earnings, members' equity and cash flows for the years then ended (not presented herein). Complete audited financial statements and footnotes are available for review upon request at our corporate office.

## Consolidated Statement of Earnings

	2019	2018
<b>Interest Income</b>		
Loans receivable	\$ 43,311,605	\$ 34,507,967
Investment securities	\$ 4,114,724	\$ 3,708,417
<b>Total Interest Income</b>	<b>\$ 47,426,329</b>	<b>\$ 38,216,384</b>
<b>Interest Expense</b>		
Interest and dividends on members' shares and savings accounts	\$ 5,677,019	\$ 3,087,033
Interest on borrowed funds	\$ 880,953	\$ 478,608
<b>Total Interest Expense</b>	<b>\$ 6,557,972</b>	<b>\$ 3,565,641</b>
Net Interest Income	\$ 40,868,357	\$ 34,650,743
Provision for loan losses	\$ 1,374,901	\$ 3,371,591
<b>Net Interest Income after Provision for Loan Losses</b>	<b>\$ 39,493,456</b>	<b>\$ 31,279,152</b>
<b>Non-interest Income</b>		
(Loss) gain on disposition of property and equipment	\$ (87,036)	\$ (128,730)
Gain on sale of Visa stock	\$ —	\$ 2,332,703
Fees and charges	\$ 16,264,023	\$ 14,732,364
Interchange income	\$ 3,113,577	\$ 3,195,229
<b>Total Non-interest Income</b>	<b>\$ 19,290,564</b>	<b>\$ 20,131,566</b>
<b>Non-interest Expenses</b>		
Compensation and benefits	\$ 25,746,046	\$ 20,557,718
Office operations	\$ 11,547,010	\$ 10,356,755
Occupancy	\$ 3,189,754	\$ 2,667,632
Operating expenses	\$ 8,797,267	\$ 7,028,928
<b>Total Non-interest Expenses</b>	<b>\$ 49,280,077</b>	<b>\$ 40,611,033</b>
<b>Net Earnings</b>	<b>\$ 9,503,943</b>	<b>\$ 10,799,685</b>



Credit Union ONE  
400 E. Nine Mile Road, Ferndale, MI 48220  
800-451-4292 | [cuone.org](http://cuone.org)



© 2020 Credit Union ONE  
All Rights Reserved.