



# 2020 Annual Report

# To our community of members:

A little over one year ago we wrote, “We do not yet fully understand the impact of COVID-19... Regardless of the outcome we are confident Credit Union ONE will be there for our members.” With the benefit of hindsight, we are pleased to report that member expectations have been and continue to be exceeded.

Despite unprecedented disruption, our team adjusted to a very different service environment with extraordinary ease. As the year progressed, we were well-positioned to build upon prior efforts and managed successful outcomes for the organization and membership.

## Pandemic Response

The Credit Union ONE’s Business Continuity Plan includes a pandemic response managed by a Pandemic Response Team (PRT). The PRT went into action in mid-February 2020 and has led an extraordinary effort to ensure the safety of employees and members, maintain uninterrupted delivery of member service, and operate within guidelines and orders of local, state, and federal authorities. The PRT provided our organization with clarity and consistency in a time of great uncertainty, which allowed staff to focus on meeting member needs and delivering great service. As we look toward 2021, the PRT will continue to manage business resumption plans and we look forward to a re-opened and fully open credit union.

In addition to maintaining operations and service standards, we are most gratified that the credit union was in a position to support members in need and take swift action to provide relief during a time of great uncertainty and stress. Among many initiatives and actions, those that stand out the most are:

- **Loan Payment Relief:** All members with a loan were provided a 90-day loan payment deferral.
- **Foreclosure Moratorium:** Pledged not to initiate any foreclosure actions during the pandemic – this is in addition to federal mortgage relief.
- **First Responder Loan:** Created a “no credit check” loan for hospital staff/first responders. In less than 60 days more than \$2 million of credit was made immediately available to this group.
- **Paycheck Protection Program:** As an SBA lender, we ramped up participation and have granted over \$25 million to small business owners, saving an estimated 6,000 jobs in Michigan.
- **Blanket Fee Waiver:** During the month of April we waived all member fees as a means of assuring financial stability in a time of great uncertainty.

We are aware that COVID-19 will have a lasting impact on some members and will continue to identify opportunities that provide those in need with relief and assistance. While we all wish to put the COVID-19 crisis behind us, we are incredibly proud of how swiftly and compassionately Credit Union ONE has responded to this national tragedy.

## Member Service

Thankfully, prior investments in infrastructure, great training, and well-conceived plans minimized what was otherwise an already challenging environment. Our branch staff flawlessly pivoted to drive-up and appointment-only services for most of the year. As branches re-opened, the team flawlessly shifted to operating with new safety protocols in place. We experienced a surge of phone calls at the same time our physical contact center was closed. While dispersed in branches and working from home, our agents managed to handle the largest volume of calls in history, while maintaining solid performance levels. Those who were on-site and on the front lines worked tirelessly in very difficult conditions and deserve special recognition for their extraordinary effort and the level of support they provided to each other and our members.

During 2020, we experienced a massive shift to digital services adoption and use. During the year, our internal measure of “Digital Members” increased to a high of 65%. Adoption of the new mobile platform implemented at mid-year exceeded expectations, use of mobile deposits increased by an incredible 360%, and we successfully launched Zelle P2P payments near year-end. The availability of effective digital options when more traditional channels were limited or unavailable has accelerated adoption of digital services to a level that we believe has permanently altered the delivery landscape. The ultimate impact is unforeseen, but as we resume normal operations this is an issue for which we are keenly aware and monitoring to ensure we adjust to exceed member expectations in every channel.

Our Ferndale office-based staff were dispersed to work-from-home in April 2020 and have yet to return. Incredibly, we had a record year for loan production, deposit growth, and debit transactions, and managed to have the lowest loan delinquency in our history. Prior investments in infrastructure, great partnerships, and a well-trained and

professional staff allowed these record-setting achievements to happen with workforce mostly working from home, or in very different in-person conditions. We do wish to recognize our very talented technology team that created a secure environment for staff to remain safe, connected and productive and deliver such amazing results.

### Financial Performance

Notwithstanding unforeseen and unprecedented market conditions the credit union's financial performance was solid and a testament to the strength of our balance sheet and financial management. Total assets increased by 11.4% during the year, ending at \$1.66 billion. Much of this growth was the result of stimulus payments and slower spending consistent with high unemployment and great uncertainty. Contrary to these conditions, 2020 marked our strongest lending year with over \$595 million in closed loans. Asset quality measured as delinquency and loan losses was the strongest ever recorded. Operating expenses declined as some expenses associated with the merger of Hantz Bank did not recur, and COVID-19 related changes to operations were implemented. Although we encountered a very different environment than forecast, our net income was a strong \$7.5 million in 2020. The net worth ratio at year-end

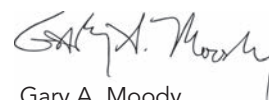
exceeded the highest federal capitalization standard of "well capitalized."

### Looking Forward

The credit union enters 2021 with the promises of vaccines and eventual resumption of normalcy. However, we do not underestimate the emotional and financial scars from COVID-19 that will linger for some time. For over 80 years, Credit Union ONE has remained steadfast in its commitment to members, especially those in need. During this past year we firmly believe we lived up to this commitment while maintaining strong financial performance and continuing to implement change that keeps us relevant. We recognize these results are due to the dedication of the Board of Directors and an incredibly talented team that exemplifies the perfect mix of professionalism and caring. Finally, in the true cooperative spirit of credit unions, we wish to thank our members for their trust, confidence, and continued participation in Credit Union ONE.



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 2020 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 2020 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 2020 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 2019 and 2020 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*



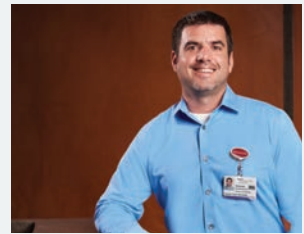
**Christine Dowhan-Bailey**  
*Director*



**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*

**Ed Derbin**  
*Associate Director*

## Condensed Consolidated Statement of Financial Condition

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 256,753,446	\$ 115,057,738
Interest-bearing deposits	\$ 9,984,000	\$ 1,736,000
Investment securities:		
Available-for-sale	\$ 162,634,544	\$ 99,981,090
FHLB stock	\$ 3,536,100	\$ 2,700,000
Loans to members, net of allowance for loan losses	\$ 1,102,052,680	\$ 1,142,681,458
Accrued interest receivable	\$ 3,592,264	\$ 3,582,270
Property and equipment	\$ 32,766,639	\$ 32,563,502
NCUSIF deposit	\$ 14,108,820	\$ 11,874,809
Alloya perpetual contributed capital deposit	\$ 1,089,800	\$ 1,089,800
Investment in CUSO	\$ 3,195,552	\$ 2,995,553
Investments in life insurance contracts	\$ 19,977,538	\$ 19,956,138
Goodwill	\$ 32,436,094	\$ 32,436,094
Other assets	\$ 17,637,213	\$ 23,636,581
<b>Total Assets</b>	<b>\$ 1,659,764,690</b>	<b>\$ 1,490,291,033</b>
<b>Liabilities and Members' Equity</b>		
Members' shares and savings accounts	\$ 1,519,652,737	\$ 1,335,323,907
Borrowed funds	\$ 0	\$ 25,000,000
Accrued expenses and other liabilities	\$ 9,280,855	\$ 8,040,073
<b>Total Liabilities</b>	<b>\$ 1,528,933,592</b>	<b>\$ 1,368,363,980</b>
Commitments and contingent liabilities	\$ —	\$ —
Members' equity — substantially restricted	\$ 130,831,098	\$ 121,927,053
<b>Total Liabilities and Members' Equity</b>	<b>\$ 1,659,764,690</b>	<b>\$ 1,490,291,033</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

	2020	2019
<b>Interest Income</b>		
Loans receivable	\$ 46,293,291	\$ 43,311,605
Investment securities	\$ 2,814,871	\$ 4,114,724
<b>Total Interest Income</b>	<b>\$ 49,108,162</b>	<b>\$ 47,426,329</b>
<b>Interest Expense</b>		
Interest and dividends on members' shares and savings accounts	\$ 5,284,373	\$ 5,677,019
Interest on borrowed funds	\$ 1,470,523	\$ 880,953
<b>Total Interest Expense</b>	<b>\$ 6,754,896</b>	<b>\$ 6,557,972</b>
Net Interest Income	\$ 42,353,266	\$ 40,868,357
Provision for loan losses	\$ 2,645,207	\$ 1,374,901
<b>Net Interest Income after Provision for Loan Losses</b>	<b>\$ 39,708,059</b>	<b>\$ 39,493,456</b>
<b>Non-interest Income</b>		
Gain on sale of loans	\$ 692,543	\$ 1,133,383
Fees and charges	\$ 14,511,966	\$ 15,043,604
Interchange income	\$ 3,873,128	\$ 3,113,577
<b>Total Non-interest Income</b>	<b>\$ 19,077,637</b>	<b>\$ 19,290,564</b>
<b>Non-interest Expenses</b>		
Compensation and benefits	\$ 27,497,997	\$ 25,746,046
Office operations	\$ 13,836,494	\$ 11,547,010
Occupancy	\$ 3,159,076	\$ 3,189,754
Operating expenses	\$ 6,771,581	\$ 8,797,267
<b>Total Non-interest Expenses</b>	<b>\$ 51,265,148</b>	<b>\$ 49,280,077</b>
<b>Net Earnings</b>	<b>\$ 7,520,548</b>	<b>\$ 9,503,943</b>



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