



2019 ANNUAL REPORT

# ALASKAN @ HEART

CREDIT UNION **1**

# A MESSAGE TO OUR MEMBERS



**COLIN BAXTER**  
CHAIRMAN OF THE BOARD



**JAMES WILEMAN**  
PRESIDENT/CEO

Credit Union 1 is in an exciting place as we enter a new decade of leading change, uplifting others and valuing people across Alaska. Our organization has evolved dramatically since 1952, but our core commitment to serving Alaskans from all walks of life is unwavering. In 2020 and beyond, we will always put YOU first. We are Alaska's only state-chartered credit union, and your success is our top priority!

## **AS A MEMBER-OWNER OF OUR ORGANIZATION, LET'S REVIEW WHAT SUCCESS LOOKED LIKE IN 2019.**

Lending money is the most impactful way that Credit Union 1 helps Alaskans reach their goals. We help fund big dreams, big plans and small everyday accomplishments through affordable opportunities to borrow funds. This impact resonated on the consumer side of Credit Union 1's loan portfolio in 2019 with a \$22.3 million or 4.7% increase. In support of this growth, we're proud to have implemented a unique new lending program in 2019 that allows our members to more easily obtain CU1 auto loans via dealerships. This program was honored by the Credit Union National Association (CUNA) with an "Excellence in Lending" award for its success in providing a better member experience for our fellow Alaskans.

The number of Alaskans that we helped transition into a home of their own also increased in 2019, by \$29.9 million in loans or 9.8% from 2018. Credit cards and other unsecured loans you use to fund smaller purchases increased by 2.4%, and installment loans like a new car or RV saw a 5.2% increase. Throughout each of these growth areas, the credit union's dedication to responsible lending practices contributed to notable overall income and stability.

*Alaskans are our people. You're our friends, family and the neighbors we grew up with! Our mission is to help you achieve your financial goals by focusing on excellent service and value.*

While our credit union is privileged to lend money toward Alaskans' life goals, we're also here to assist when times get tough. In 2019, our Member Assistance team continued to take outstanding measures to support Alaskans who have encountered financial struggles. Thanks to these efforts, we continue to have a low ratio of delinquent loans in our portfolio – namely, 0.56% as of December 31, 2019. Loan charge offs as a percentage of average outstanding loans was 0.84% in 2019, which is a decrease from 2018. Total net charge offs also decreased 55.6% from the previous year, which highlights a unique commitment to preserving our members' financial health in difficult times.

In our credit union's unique CU1 Rewards program, overall reward points redemptions decreased by 0.30% in 2019. We're accustomed to seeing higher rates of redemption during years when our members'

budgets are tight. While we continue to offer a unique cash back option within our rewards program, we're encouraged to see that it was not as actively relied on by our membership in 2019. 47.66% of all points earned by our members were used.

Credit Union 1 has earned a rich reputation in Alaska for offering superior, personalized service and always lending a hand when Alaskans – from all walks of life – need it the most. We focus on our members as individuals, we expertly match you with products and services to improve your financial wellness, and we do so with your unique needs in mind. 2019 represented an exceptional year of success in these efforts, and we are gaining even more momentum as we embrace 2020. Thank you for your ongoing support of a financial institution that is truly changing our state.



**TODAY AND ALWAYS,  
WE ARE PROUD TO BE  
ALASKAN  
@HEART**

# CORPORATE SOCIAL RESPONSIBILITY

In 2019, Credit Union 1 members and employees rallied together to fundraise, donate and volunteer across Alaska for the benefit of our neighbors in need.



**\$431,925**

Charitable contributions made by our organization and generous members.



**8,152**

Community service hours donated by Credit Union 1 employees.

In 2020, we're excited to introduce a newly enhanced Corporate Social Responsibility (CSR) program. As leaders in our state and industry, this program positions us to make a more impactful philanthropic difference in Alaska. This state is our home, and we're proud to be a responsible corporate citizen.

## EMPLOYEE IMPACT

As one of Alaska's top employers, we commit to enriching our employees' experiences beyond the scope of training and job performance, to build long-lasting careers and always put people first.

## ENVIRONMENTAL IMPACT

We support sustainability and strive to minimize our environmental footprint wherever possible through responsible products and practices.

## COMMUNITY IMPACT

Through strategic fundraising and volunteering, we take a deepened approach to community wellness by adding value, opportunity and substance to these efforts.

## ECONOMIC IMPACT

The nature of our not-for-profit cooperative is to provide affordable financial services to Alaskans from all walks of life. Our CSR program expands this initiative by offering financial assistance to select nonprofits, providing scholarship opportunities, supporting local small business growth and more.

*True corporate social responsibility encompasses the large topics above, but it relies on the individual employees and members of our organization to succeed. Together, we look forward to further empowering, educating and enriching the lives of our fellow Alaskans in the coming year.*

# SUPERVISORY COMMITTEE REPORT

Credit Union 1's Supervisory Committee (the "Committee") is appointed by our Board of Directors and is responsible for ensuring the financial statements of the credit union are accurately and fairly presented by management. The Committee has the responsibility of providing an independent appraisal of the safety and soundness of the activities of the credit union to ensure that operational practices and procedures are sufficient to safeguard our members' assets. These duties are required by federal and state regulations. The Committee also assists Credit Union 1's Board of Directors in fulfilling its oversight. State of Alaska statutes summarize the Committee's responsibilities as follows:

The Supervisory Committee shall conduct an annual audit of the accounts of the credit union and submit a report of the audit to the Board of Directors and a summary of the audit to members at the next annual members' meeting of the credit union. The Supervisory Committee may conduct supplementary audits as it considers necessary or as ordered by the commissioner and submit reports of the supplemental audits to the board of directors.

In carrying out this responsibility, the Committee i) oversees the Internal Audit Department, which reports functionally to the Committee and administratively to the President/CEO of Credit Union 1; ii) monitors the policies established by the Board of Directors and ensures compliance with them; iii) evaluates the adequacy and effectiveness of the system of internal controls established by Credit Union 1 management; and iv) investigates and responds to written member inquiries referred to the Committee. The Committee appoints an independent certified public accounting firm and reviews the policies and procedures for the audit engagement, including its scope, fees, and auditor

independence matters. The Committee itself does not prepare financial statements or perform audits, and its members are not the certifiers or auditors of Credit Union 1 financial statements.

The Committee retained the services of a national independent certified public accounting firm, CliftonLarsonAllen LLP, to perform an audit of Credit Union 1's financial statements as of and for the year ended December 31, 2019. CliftonLarsonAllen LLP completed their audit, which was performed in accordance with generally accepted auditing standards, and issued an unqualified opinion.

As further explanation of our audit timeline, for purposes of the 2018 annual report we changed the fiscal year end from September 30 to December 31 to align audit reporting with calendar year end. This fiscal year change resulted in the credit union presenting financial results of its operations for 15 months, as opposed to the more customary 12 months, as of December 31, 2018. We then completed the fiscal year change transition in 2019 by presenting financial results of operations for a standalone 12 months.

The National Credit Union Administration (NCUA) and the State of Alaska Division of Banking and Securities also perform periodic examinations of the credit union.

Based on the results of the annual report of independent auditors and the examinations reports of the NCUA and the State of Alaska Division of Banking and Securities, it is the opinion of the Committee that Credit Union 1 continues to be financially strong and well managed, with sound policies and programs.

We wish to express our appreciation to the Board of Directors, management and staff for their continued support.



**YULIA MITCHELL**  
SUPERVISORY COMMITTEE CHAIR

**JEFF WOOD**  
SECRETARY

**ROSS RISVOLD**  
MEMBER



# TREASURER'S REPORT



**JENNIFER BERNARD**  
TREASURER

Net income for the 12 months that ended December 31, 2019 was \$10.02 million. As a member-owned financial cooperative, 100% of this income is recycled toward lower loan interest rates, higher dividends, more rewards and fewer fees for Credit Union 1 members like you.

Income earned by a financial institution is measured as a percentage of total assets. For the 12 months that ended December 31, 2019, Credit Union 1's return on average assets was 0.95%. These earnings have helped build equity within the institution and secure our ability to serve the long-term needs of our members. Equity also insulates and protects the credit union during periods of economic downturn, so that we can best serve our members when they experience difficult financial times.

When local and national economies fluctuate, our credit union is well-positioned to navigate these changes while providing the financial support that our members rely on in times of need.

At the end of 2019, the credit union's equity (or "capital") was 12.88% of total assets, as reported in our audited financial statements. As such, Credit Union 1 is designated as "well-capitalized" by the National Credit Union Administration (NCUA). Credit Union 1 members directly benefit from this designation, because it allows us to expand services, upgrade facilities, maintain a strong workforce and enhance products and services in support of our uniquely Alaskan membership.

*As of December 31, 2019, Credit Union 1's total assets had grown to \$1,090,013,655. This growth corresponded with an increase in member deposits to \$931,281,768.*



# FINANCIAL STATEMENT

(AUDITED IN THOUSANDS)

## ASSETS

2019

|                           |                    |
|---------------------------|--------------------|
| Cash and Cash Equivalents | \$61,335           |
| Certificates of Deposit   | \$1,494            |
| Investments               | \$127,178          |
| Loans (Net)               | \$821,736          |
| Fixed Assets (Net)        | \$34,121           |
| Other (Assets)            | \$44,150           |
| Total                     | <b>\$1,090,014</b> |

## TOTAL LIABILITIES AND MEMBERS' EQUITY

2019

|                 |                    |
|-----------------|--------------------|
| Members' Shares | \$931,282          |
| Liabilities     | \$17,708           |
| Members' Equity | \$141,024          |
| Total           | <b>\$1,090,014</b> |

## INCOME STATEMENT

2019

|   |                 |
|---|-----------------|
| Loans   | \$39,354        |
| Investments   | \$4,795         |
| Interest Income   | <b>\$44,149</b> |
| Dividends & Interest Expense                            | (\$3,645)       |
| Net Interest Income Before<br>Provision for Loan Losses | <b>\$40,504</b> |
| Provision for Loan Losses                               | (\$2,361)       |
| Net Interest Income                                     | <b>\$38,143</b> |
| Operating Income  | \$24,462        |
| Operating Expense                                       | (\$52,587)      |
| Net Income  | <b>\$10,018</b> |



## BOARD OF DIRECTORS

Colin Baxter, Chair  
Steve Cavin, Vice Chair  
Marietta “Ed” Hall, Secretary  
Jennifer Bernard, Treasurer  
Joe Towslee, Director  
Andre Horton, Director

## SUPERVISORY COMMITTEE

Yuliya Mitchell, Chair  
Jeff Wood, Secretary  
Ross Risvold, Member

## EXECUTIVE MANAGEMENT

James Wileman, President/CEO  
Rachel Langtry, Chief Operating Officer  
Chad Bostick, Chief Financial Officer  
Davina Napier, Chief Lending Officer  
Mark Burgess, Chief Technology Officer

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