



WE'RE IN THIS
Together
2020 ANNUAL REPORT



 **CommonWealth One**
Federal Credit Union
Your Lifetime Financial Partner

Chairman's Report

We're In This Together

By any standard, 2020 was an unprecedented year filled with challenges for our nation as well as for CommonWealth One. We began the year with the successful completion of a merger with AB&W Credit Union on March 1, welcomed almost 4,000 new members, and grew our assets to over \$400 million. Clearly, we were on our way to another year of solid, steady growth.

A few weeks later, the cloud of the coronavirus pandemic hit our nation and threatened to send the global economy into free fall. Like all pandemics, it started small, but within 6 months, the virus had spread around the world.

In spite of the uncertain state of the economy, CommonWealth One responded immediately with a number of measures to keep our members and staff safe, and to provide members with full access to their accounts.

- CommonWealth One extended immediate financial assistance to members through special relief programs. We helped over 1,000 members with a skip-a-loan-payment program, offered mortgage and consumer loan deferrals, and added various low-rate loan options to help them in this time of need.
- We also restructured our remote and in-person services to ensure that members were in full control of their accounts, while strictly adhering to CDC guidelines to thoroughly clean lobby surfaces and maintain adequate distance between individuals, thereby ensuring the safety of our staff and members.

As financial first responders, we continued to work together as our members' first line of defense. We provided personal financial counseling, webinars, workshops and a wide range of resources to find solutions to meet your individual needs. For in-person assistance, our Main Branch, Richmond Highway, Harrisonburg Regional and JMU branches remained open. To help ease your wait time, we instituted a new system for members to request staff call-backs at a time that's convenient for you.

We continued to invest in new technologies to improve the services we provide to you, focusing on ease of use.

- In early 2021, we will launch a new website, with a new design, improved navigation, and helpful tools and resources that will significantly enhance your online experience.
- In the summer, for your convenience, security, and safety, we will offer contactless debit cards to active debit cardholders. The contactless technology is a payment system that uses radio-frequency identification or near-field communication for making secure payments.
- Then, in fall, we will introduce upgrades to online and mobile banking that will give you an easy and efficient experience accessing your accounts.

Teamwork

I especially want to commend our entire staff, management, and executive leadership team for their dedication to serving our members during a year that has been like no other in modern times. In the midst of a global pandemic that has impacted millions of people, cost hundreds of thousands of lives and triggered a deep recession, our core values of members first,

people helping people, teamwork, excellence and trust have never been more important. Not only did our credit union remain open for business, but our staff immediately implemented strategies to ensure the safety of every employee, and preserved all positions, all while providing continuous uninterrupted service to our members.

Their tremendous resilience, adaptability, and accomplishments over the past year are definitely something to celebrate. I can't emphasize enough how grateful the Board of Directors is to have such a smart, committed, agile, and hardworking CommonWealth team.

The board also wants to thank our members for quickly accepting the changes we had to implement to assure their safety, as well as that of our staff. It was extremely gratifying how quickly our members adapted to our alternate procedures and the use of mostly electronic and digital channels to meet their financial needs.

And finally, as Charlotte plans to retire in August 2021, I would be remiss if I did not mention how grateful the board is for her tremendous contributions throughout her illustrious career with CommonWealth One, and especially for her thoughtful, principled, and exemplary leadership over the past eight years. We are also extremely fortunate to have had the benefit of her vast experience, positive outlook, and intense focus on member service and employee safety during the past year's challenges stemming from the pandemic. Without question, we are a far better and stronger credit union as a result of her leadership.

As our economy continues to recover, millions of consumers nationwide are relying on their credit union, knowing that their financial well-being will be first priority, ahead of the bottom line. We are committed to empowering you not only through banking convenience, but also providing helpful financial education resources for every stage of your life. 2020 was a challenging year as we pivoted to deal with the coronavirus. We shifted our priorities to keep everyone safe while continuing to serve our members during a pandemic that no one could have planned for.

We ended 2020 with total assets of \$453 million and a net income of \$1.73 million. As we plan for the year ahead, I think we can all agree that we learned a lot during this difficult time. And I am confident that we can continue to review and apply these lessons to become more efficient and effective serving our members going forward.

So, we thank our members for their continued trust. You are the only reason for our existence. We know you have many choices for financial services, and we will continue to work hard to remain your trusted Lifetime Financial Partner.

On behalf of the board of directors, management team and staff, thank you for your membership and your continued support.

Rupert J. Jennings, III

Chairman, Board of Directors

President/CEO's Report

As I begin my final report, there is one overriding feeling that everyone has experienced: There has never been a year in our lifetime like 2020.

Our "People Helping People" core value was tested these last several months amid worries of not having enough savings, losing a job, the inability to repay debts, and countless other financial concerns.

Throughout this time, members looked to CommonWealth One for assurance that their financial lives would remain secure. By providing outstanding member service, CommonWealth One established itself as a financial first responder, creating the financial security and assurance members wanted.

It wasn't a matter of being ready for the financial upheaval of this pandemic; literally no one was ready for it. Instead, the important question now – and the one we will be judged on – is "How did we respond once it occurred?" With our staff's engagement, we solved our most critical challenge: To keep banking open and available to members, to continue to provide essential services, and to keep everyone safe.

Our staff and management team successfully met these challenges because they were engaged and committed even before the pandemic. As financial first responders, we put members first. Our staff culture that values communication, engagement, passion, and professionalism makes me proud that I could face 2020's turmoil with the CommonWealth One team. They were truly remarkable.

Our Board of Directors also met the challenges of 2020. They are a strong group whose members trust and challenge one another, and engage directly with senior management on critical issues. Directors were vigilant and involved, exactly what our members needed in a time of uncertainty.

Our governing philosophy – to be your "Lifetime Financial Partner" has shaped the way we address challenges like those of 2020. Throughout the pandemic, we've provided uninterrupted service, relief programs, and resources to members when needed.

Technology Plays a Big Part

Today's technology was never more valuable than during this past year, when various lockdowns threatened to immobilize our society. We are fortunate that digital banking usage has flourished, so much so that 8 of every 10 consumers prefer banking digitally to visiting a physical branch.

During the height of the pandemic, in order to keep everyone safe, we encouraged members to use online, mobile, and telephone services rather than branch visits to ensure that you had uninterrupted access to your funds. We added Contact Center personnel to manage increased call volume and implemented a new service enabling members to schedule phone appointments. We also provided relief assistance – emergency loans, payment deferrals, and financial counseling – and introduced appointment-only in-branch member service

operations at our Main and Harrisonburg Regional branches, which remained open throughout the pandemic.

I have always been passionate about providing financial education. Knowledge is power, especially concerning your finances. During the past year, we increased online webinars with topics like home buying, budgeting, debt management, credit monitoring and car buying, to name just a few.

Pandemic or not, we continued our support of community volunteer programs and partnerships, including support of the Alexandria Children's Fund, collecting of school supplies, raising funds for Feed America, the Alexandria Drive-In Theatre project, fundraisers for Children's Miracle Network Hospitals®, and many others.

Notable Achievements of 2020

- In March 2020, we merged with AB&W Credit Union and welcomed their 4,000 members to CommonWealth One.
- As of December 31, 2020, we were 37,109 members strong with \$454 million in assets and growing.
- We received multiple awards from the Virginia Credit Union League for our financial literacy outreach programs.

And there are good things coming in 2021, including:

- A new website with enhanced features and functionality
- Contactless debit cards
- A new digital banking platform, including new apps.

As financial first responders, we learned well the lessons of crisis management that 2020 taught us. We will expand and improve what we did well, and correct where we fell short. As we continue to evolve, CommonWealth One will face the challenges ahead with confidence.

As I plan to retire of in August 2021, I am thankful that I had the opportunity to lead an exceptional group of people – a professional, passionate staff and management team that thrived on providing outstanding member service, and always worked hard to achieve critical objectives. And to the many board members I've worked with during my tenure, thank you for your support and the faith and trust you placed in me. Your hard work and commitment to excellence has positioned CommonWealth One well for the years ahead.

Charlotte H. Cash

President/CEO

Treasurer's Report

In 2020, CommonWealth One maintained its status as a stable and secure financial institution for our members. Its assets grew 21% over prior year, thus providing our membership with a strong financial cooperative upon which our members can rely.

Members wisely sought the safety and soundness of CommonWealth One's financial services, as evidenced by the following:

Total assets increased compared to last year, ending 2020 at \$453.8 million compared with \$375.4 million in 2019. This increase of \$78.5 million or 20.92%, reflects your confidence in CommonWealth One's ability to grow and remain strong in the face of ongoing global and economic uncertainty.

Total member deposits increased as well, ending the year at \$405.5 million in 2020 versus \$334.4 million in 2019. Our merger with AB&W Credit Union, coupled with organic growth in savings from our existing membership base resulted in a year-over-year growth in deposits of 21.26% or \$72 million.

Although loan growth declined nationwide due to the pandemic, total loans at 2020 year-end totaled \$271.5 million for us, a 3.41% increase from the previous year. The year-end loans-to-share deposits ratio was 66.96%, a result of our deposit growth vastly exceeding our loan growth for the year. The increase in both loans and shares indicates that CommonWealth One continues to meet the financing needs of its members.

Net income for the year was a healthy \$1,734,067, which is 8.24% less than our 2019 net income of \$1,889,751. Most of the decline in the 2020 income can be attributed to the pandemic, which brought an increase in loan payment deferrals, lowered new loan demand and resulted in much lower market interest rates on loans and investments that affected our net interest margin.

The ending capital to asset ratio of 10.00% is a slight decrease of 0.37% from 10.37% at prior year-end; however, the credit union continues to be well capitalized. The ending return on the average assets ratio of 0.42% is a decrease from 0.52 % the prior year. The credit union earnings have remained strong despite decreases in interest rates and increases in expenses due to investments in service enhancements for its members.

Amid the pandemic, CommonWealth One continues to comply with the costs of ever-increasing regulatory requirements and the implementation of advanced technology services which have a direct impact on earnings. The Board of Directors, management, and staff will continue to assist members with their current financial needs while deploying resources to strengthen our credit union to ensure it meets your future needs. Whether it is loans, deposits, or financial services "We're in this together." CommonWealth One is always prepared to serve your needs and to fulfill our commitment to be "Your Lifetime Financial Partner."

Dr. William P. Jackameit
Treasurer, Board of Directors

Lending Report

CommonWealth One is committed to being the Lifetime Financial Partner for our members, by providing loan products and services to meet member financial goals. The Credit Union continues to focus on its commitment to annual loan growth. In 2020, CommonWealth One funded \$82 million in loans. The credit union funded 12.3% more loans in 2020 than the prior year.

Total loans at the end of 2020 were \$271.5 million, an increase of 3.41% over 2019. The impact of the global pandemic on the economy resulted in dramatic shifts in borrowing behavior. Many borrowers chose to reduce debt or put off major purchases, which impacted new loan production. The credit union quickly pivoted to loan categories experiencing the most growth to ensure we were able to maintain loan production and continue to grow the loan portfolio.

CommonWealth One continues to focus on meeting the needs of its members. In addition to maintaining robust lending activity, we were able to assist many members through tough economic conditions. CommonWealth One proactively offered programs such as extended payment skips, loan modifications and

emergency loans. Members were able to take advantage of these programs to maintain their loans and preserve their credit. These provisions not only helped the members but also kept the credit union from experiencing additional loan losses. The loan portfolio remains healthy as a result of our portfolio management.

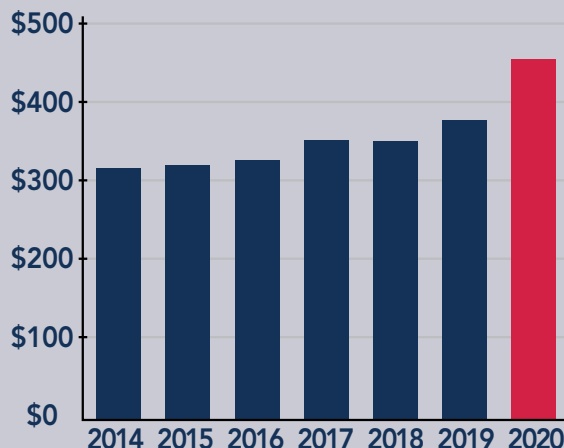
In the coming year, CommonWealth One will be broadening its lending channels to provide us with more opportunities to make loans throughout our footprint. Our priority will be to expand our visibility and presence in the markets we serve. This will provide CommonWealth One the ability to offer our products and services to more people and grow the membership. This will also increase the access current members will have to our competitive products and rates. The credit union is in an excellent financial position to grow the loan portfolio in the coming year and for years to come.

Statement of Financial Condition

ASSETS	2020	2019
Loans to members (net)	\$ 270,738,977	\$ 261,332,580
Cash & cash equivalents	5,623,723	4,118,248
Investments	145,648,324	85,270,212
Accrued interest receivable	1,030,623	1,022,057
Property & equipment, net	6,531,131	4,372,879
Other assets & prepaid expenses	24,311,775	19,265,516
Total Assets	\$ 453,884,553	\$ 375,381,492
LIABILITY, SHARE ACCOUNTS AND EQUITY		
Accounts payable & accrued expenses	\$ 1,635,865	\$ 1,368,492
Dividend payable	600,412	574,426
Borrowed Funds	—	—
Shares to Members		
Share certificates	101,252,883	94,294,137
Share draft accounts	87,379,640	64,892,401
Other share accounts	216,909,630	173,230,803
Total Shares of Members	\$ 405,542,153	\$ 334,417,341
Members' Equity, partially restricted		
Regular reserves	\$ 6,298,552	\$ 3,859,344
Undivided earnings	39,071,811	35,084,035
Accumulated other comprehensive income	735,760	77,854
Total member's equity	\$ 46,106,122	\$ 39,021,233
Total Liabilities, Share Accounts & Equity	\$ 453,884,552	\$ 375,381,492

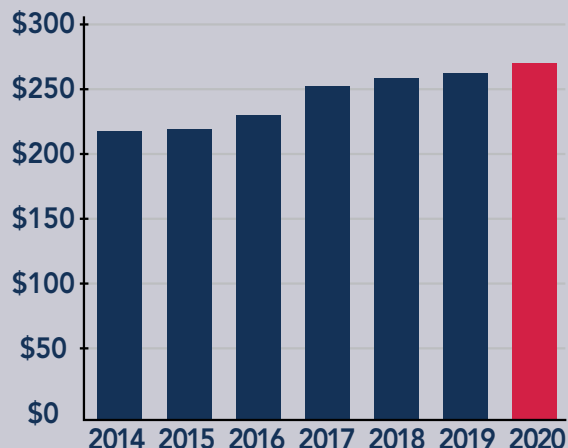
Assets

Dollars in Millions



Net Loans to Members

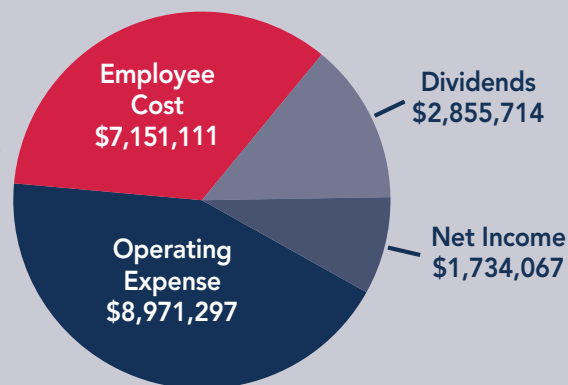
Dollars in Millions



Statement of Operations

INCOME	2020	2019
Interest on loans	\$ 13,660,364	\$ 13,147,999
Interest on investments	1,274,538	1,558,517
All other income	<u>5,579,371</u>	<u>4,597,332</u>
Total Operating Income	\$ 20,514,274	\$ 19,300,848
OPERATING EXPENSE		
Compensation & employee benefits	\$ 7,151,111	\$ 6,636,467
Office operations	6,876,807	6,525,396
Office occupancy	838,024	749,396
Provision for loan losses	1,256,466	1,459,583
Interest on borrowed money	<u>—</u>	<u>—</u>
Total Operating Expense	\$ 16,122,408	\$ 15,370,842
Income before dividends on members' shares	\$ 4,391,866	\$ 3,930,006
Dividends on members' shares	<u>2,855,714</u>	<u>2,205,478</u>
Income after payment of dividends	\$ 1,536,152	\$ 1,724,528
Other Non-Operating Income	197,915	165,223
Net Income before NCUSIF Stabilization	<u>\$ 1,734,067</u>	<u>\$ 1,889,751</u>
NCUSIF Stabilization Expense	\$ —	\$ —
Net Income after NCUSIF Stabilization	<u>\$ 1,734,067</u>	<u>\$ 1,889,751</u>

Distribution of Gross Income



Supervisory Committee's Report

The Supervisory Committee is appointed by the Board of Directors to safeguard the assets of CommonWealth One Federal Credit Union. To meet this objective, the Committee:

- Arranges for and oversees audits.
- Ensures that federal and state regulations, as well as credit union bylaws, are followed.
- Reviews annual internal audit reports and other documentation.
- Confirms that financial reporting obligations are met.
- Checks internal control policies and procedures.

Our internal auditors, PBMares, LLP perform internal audits to ensure operations are in accordance with policies and guidelines. Doeren Mayhew, CPAs conducted the annual audit of our Financial Statements for the year ended

December 31, 2020. Based on their examination, as well as our own review of management and Board of Directors actions, the Supervisory Committee has determined that CommonWealth One is financially sound and internal controls are operating effectively.

In 2020, the National Credit Union Administration (NCUA) completed an examination of the financial condition of your credit union, and our compliance with applicable rules and regulations with an effective date of June 30, 2020. The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2020.

George McAndrews

Chairman, Supervisory Committee

Board of Directors

Rupert J. Jennings, III, Chairman
John F. Knight, Vice Chairman
John D. Hulvey, Secretary
Dr. William P. Jackameit, Treasurer
Archie B. Ford
David S. Kerr
Daniel Murray
Mary L. Summers

Executive Team

Charlotte H. Cash, President/CEO
Larry L. Flory, Chief Information Officer
Isabel Gomez, Chief Financial Officer
David Lane, Director of Human Resources
Shamus A. McConomy, Chief Operations Officer
Karyle F. Thornton, Chief Marketing Officer

Supervisory Committee

George McAndrews, Chairman
Kevin J. Cochran
Marvin T. Isom
Ronald F. McCray
Frank Tedeschi



Remembering

Lyle C. McLaren, Jr.,

Director Emeritus July 6, 1922 - August 31, 2020

Chet McLaren served on the CommonWealth One Board of Directors for more than 40 years in various roles including Chairman, Secretary, and chaired numerous committees. Chet and his wife Frances (Fran) never missed an annual meeting, anniversary celebration or an opportunity to help and encourage other members. Thank you, Chet McLaren, for your service and for being a true example of "People Helping People."



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