

Annual Meeting

2022



Serving
Penobscot and Waldo Counties

EXCEPTIONAL
FINANCIAL SERVICE
HANDCRAFTED
DAILY For you



*Changing Seasons Federal Credit Union
56th Annual Meeting - 2021*

04/26/2022

- Call to Order/Welcome – Beth Kotredes, Chair
 - Introduction of Volunteers
- Chair’s Report – Beth Kotredes
- CEO’s Report – Rob Picard
- Supervisory Committee Report – Ron Roy
- Treasurer’s Report – Financial Statements as of 12/31/21
- Officer’s Report
 - Deirdre Zurek – SVP of Lending & Marketing
 - Rick Thorpe – VP of Collections
- Election of Board Members
- Election Results
- Questions
- Raffle Prizes
- Adjourn

MISSION

To consistently deliver an extraordinary banking experience with speed, ease, and relevance.

VISION

To be the favored financial institution in the hearts and minds of the communities we serve.

VALUES

SPEED

- Banking at your Speed

EASE

- Products and processes designed to be simple and straightforward

RELEVANCE

- Innovative products & services that are forward-thinking and ultra competitive

EXPERIENCE

- Create consistently, great experiences for our Members & Employees

Speed, Easy, Relevance and Experience

*Board of Directors
and
Supervisory Committee
Members*

Beth Kotredes, Board Chair

Amy Kearns, Vice Chair

Greg Hobson, Secretary

Paul Miller, Board Member

Jacob Charles, Board Member

Andy King, Board Member

Ron Roy, Supervisory Chair

Rob Hinds, Supervisory Member

Diane Philbrick, Supervisory Member



**Rob Picard,
President/CEO
2yrs, 7 months**



**Adam Sheehan,
Consultant
3 months**



**Lynn McFarland,
MSR
4 months**



**Eileen Annis,
MSR
1 yr, 1 month**



**Rick Thorpe,
VP Of Collections,
1yr, 4 months**



**Kesias Tanner,
MSR
1 yrs, 7 months**



**Sydnie Freitag,
OTL | MA
2 yrs, 4 months**



**Angela Diaz,
Branch Manager
3yrs, 2 months**



**Bobbi Jo Wheelock,
AVP | SLO
7yrs, 11 months**



**LuAnn Brown,
AVP | LO
8yrs, 10 months**



**Deirdre Zurek,
SVP | CLO | CMO
21 years, 10 months**

Employee Milestones

Chair Report

56TH Annual Meeting

As I prepare this report, I am in awe that the credit union has operated for more than two years in a pandemic. Two years ago I said we were in unprecedented times, and those times have not changed significantly since March of 2020.

We have continued to meet the needs of our members in every way. I'm happy to report our lobby is open again so that you may do your business face to face.

Our new version of our mobile app went live in 2021 and has been a great success. Doing your business from anywhere is extremely convenient! Don't forget to check out our loan products online too. We have products to fit all your needs.

Your staff, board of directors and committees are dedicated to providing YOU the best services available, handcrafted just for you.

Thank you for allowing us to serve you.

Message from our CEO

In 2021, Changing Seasons delivered its most profitable year since 2018. Our results were driven by revenue growth, margin management, and disciplined expense management.

Our Member Services & Lending Teams drove product per members from 3.8 to 6.11, thus exceeding our budgeted Interest Income (II) by more than \$48,000 dollars.

Changing Seasons also exceeded its Non-Interest Income (NII) budget by \$36,000 dollars. These results are due to delivery and the execution of our 2021 strategies.

Our people, the employees of Changing Seasons FCU, through unprecedented times, loads of adversity – came together as one, and delivered one of the finest financial performances in the history our Credit Union. It's these talented and dedicated employees that are driving the results and improving our financial condition, creating positive net revenue so we can invest in products and services to be market competitive and deliver a consistently, great member experience. It is because of, each and every one of them, that we sustained the most challenging times in the history of our Credit Union. We didn't just survive one of the most devastating, most difficult times in modern history, we thrived during these times. Iron sharpens iron, and these difficult times made us stronger and better than ever before.

I could not be prouder of what we accomplished in 2021. We finished 2021 in the Top 10%, out of 911 Credit Unions, in a Callahan & Associates Overall Score with Assets between \$20 - \$50 Million! We have spent the last two years developing and building a strong foundation for future growth. Now that our foundation is strong, we will focus in 2022 on building our capital to reinvest into our Membership and employees. Our core values – Speed, Ease, Relevance & Experience will serve as a compass to guide us through tough decisions and lead us to great prosperity – for our Members, Employees & the communities we serve.

We have been, and always will be, *'Here for What Tomorrow Brings'*

Sincerely,
Rob Picard
President & CEO



STRENGTHS

- Management
- Dedication
- Income growth
- Expense reductions
- Momentum
- Culture
- Net Interest Margin

OPPORTUNITIES

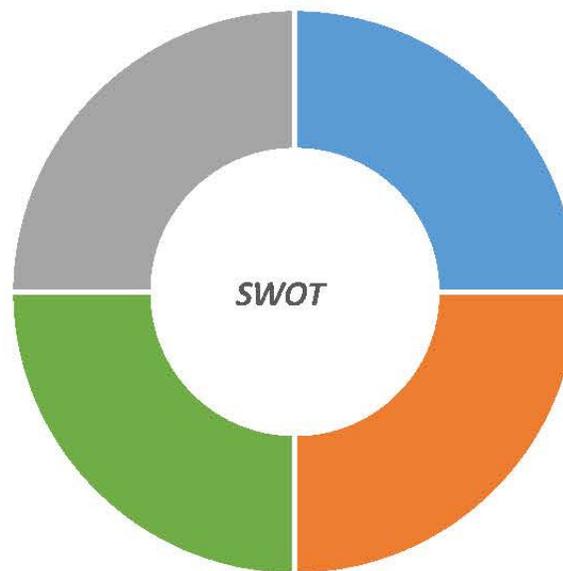
- Operational rebuild
- Create greater operational efficiencies
- Rotate operational duties quarterly
- Education/Training

WEAKNESSES

- Newer Team
- No New Member Acquisition program
- No Rewards Program
- Weak capital position

THREATS

- Economy
- Inflation
- Pandemic
- Global Supply Chain
- War
- Interest Rate Risk



- **Strengths:** Changing Seasons is blessed with an experienced, knowledgeable, decisive, optimistic, creative, talented, supportive and financially disciplined Board of Directors and Leadership Team. Our strategies have added \$8.2M in Asset Growth, market competitive compensation for all employees, an ultra-competitive benefits package, and a consistently great Member-Experience. Our Board of Directors and Leadership Team set the tone for our “World-Class” Culture and our team delivers a consistently great, Member & Employee experience. Our decisions are driven from our core values, and we are living our motto of ‘*Here for What Tomorrow Brings*’
- **Opportunities:** Our consultants, Adam Sheehan & Sue Cross, are essential for our Operational overhaul and directly impact the strategic direction and financial results of our Credit Union. This overhaul we net a better, more experienced team, improve Business Continuity practices and allow us to reduce the business risk of human error.
- **Weaknesses:** Our inexperienced Operations, on paper, looks like a tremendous challenge to overcome. There’s a lot to learn. However, these key individuals are talented and are surrounded by an excellent & knowledgeable leadership team, are driven and quick learners and will be positioned to succeed. Our weak capital position requires a disciplined expense management strategy, proactive decision making, measuring & monitoring of key data points to effectively measure the “**metrics that matter**” to ensure Changing Seasons delivers on its budgeted income and goals. **The focus is on building capital now for growth later.**
- **Threats:** We are not as subjected to the interest rate risk of 2022 as our competitors due to our ability to originate loans in 2020 & 2021. We built a steady, reliable stream of income by utilizing vendors such as Loan Street, Upgrade & Indirect Lending to help build our loan volume. We will begin shifting from participation loans such as Loan Street and focus more on in-house loan generation. We will utilize our market differentiator – **the Take it or Leave it loan** – which is the only loan that offers “**Takebacks**” in our State. Other macro-economic events like the Coronavirus, Global Supply Chain, Inflation & War are well beyond our spectrum of control. However, by looking forward and connecting dots – we can position ourselves, in advance, to pivot from our current strategies, should there be a need.

2021 Accomplishments

- Net Income of \$9,280 (1,319% increase)
- 96.72% Member Satisfaction
- 94.34% Member Recommendation
- 2.07% Loan Growth
- 7.67% Asset Growth
- 8.26% Share Growth
- 60.46% decrease in delinquency
- Won Diamond Award for Marketing
- 36 Net New Members
- Started Upgrade Relationship
- Reduced Cost of Funds by 36%
- Added 76 Net New Social Media Followers
- Launched New Mobile/OLB Platform - Banno
- Never had to close Branch during Global Pandemic due to hybrid work model
- Launched Rewardian
- 85.98% Loan-to-Share ratio amongst Top 10% of Credit Unions
- 4.60% Net Interest Margin amongst Top 10% of Credit Unions
- 6.11 Accounts per Member - Industry average is 2.8
- Top 10% in Overall Score for Credit Unions with \$20M - \$50M in Assets
- 16.34% increase in Total Income

.summary

Top 10% ★★★★★
 Above Average ★★★★★☆
 Average ★★★★★☆☆
 Below Average ★★★★★☆☆☆
 Bottom 10% ★★★★★☆☆☆☆

Category	Rating	Ranking	Out of	Percentile
Return to Savers	★★★★★☆☆	195	911	78.70%
Return to Borrowers	★★★★★☆☆	283	883	68.06%
Member Service Usage	★★★★★☆☆	70	911	92.43%
Overall Score	★★★★★☆☆	90	911	90.23%

Supervisory Report

The duties of the Supervisory Committee of Changing Seasons FCU are:

- Protect Member Assets
- Ensure that records are maintained properly
- See that policies are carried out faithfully
- Make sure that internal Controls are in place

The committee engaged Wipfli/Macpage to conduct our annual audit which was done for 2021.

Duties and reviews that the supervisory committee conducted during 2021 included:

- Verification of staff vacations / time-off
- Loans including staff loans
- Surprise cash counts
- Closed accounts and returned statements
- Bond coverage, liability policies and cyber policy
- Budget review
- Corporate credit card and other expense accounts
- Board of director`s meeting minutes

The supervisory committee member volunteer members – Rob Hinds, Diane Philbrick, and Ron Roy – are committed to the credit union`s future and want to express their appreciation for the assistance of all the credit union`s staff during 2021.

Financial Statements

	<u>12/31/2021</u>	<u>12/31/2020</u>	<u>% Change</u>
Total Loans	\$16,393,277	\$18,532,434	-11.54%
CU Promise Loans	\$4,975,165	\$3,935,644	26.41%
Loan Street Loans	\$2,463,748	\$1,109,952	121.97%
Upgrade Loans	\$234,722	-	-
Allowance for Loan Lossese	(\$82,154)	(\$94,603)	-13.16%
Net Loans	\$23,984,758	\$23,483,436	2.13%

Cash & Investments	\$4,982,920	\$3,319,859	50.09%
Deferred Expenses	\$185,965	\$177,050	5.04%
Fixed Assets	\$958,318	\$994,805	-3.67%
Other Assets	\$41,062	\$51,014	-19.51%
Assets Acquired in Liquidation	\$23,000	-	-
Total Assets	\$30,176,024	\$28,026,166	7.67%

Liabilities	\$74,969	\$76,005	-1.36%
Total Shares	\$27,995,995	\$25,855,293	8.28%
Equity	\$2,105,060	\$2,095,779	0.44%
Total Liabilities, Shares, Equity	\$30,176,024	\$28,026,166	7.67%

INCOME/EXPENSE STATEMENT

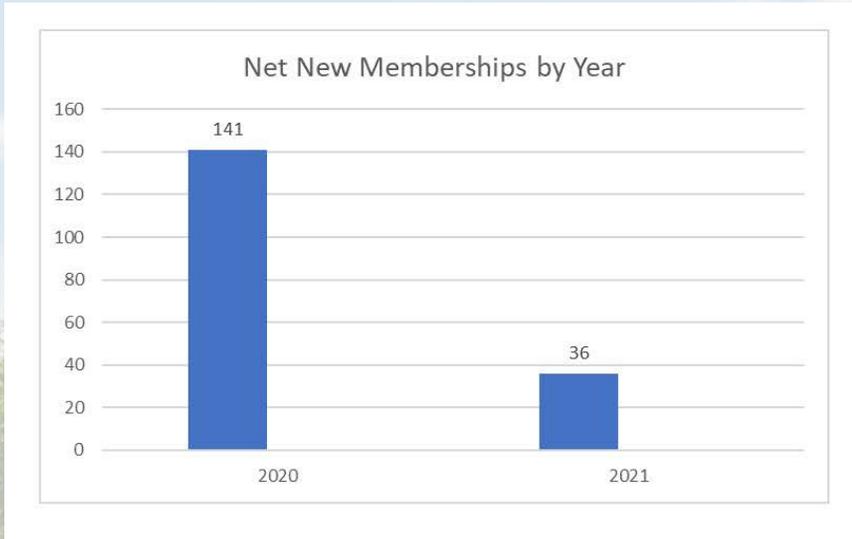
Loan Interest	\$1,036,669	\$1,004,777	3.17%
CU Promise Loan Interest	\$153,167	\$123,966	23.56%
Loan Street Loan Interest	\$216,353	-	-
Upgrade Loan Interest	\$7,110	-	-
Investment Income	\$29,688	\$83,219	-64.33%
Fee Income	\$290,846	\$199,728	45.62%
Misc Income	\$21,867	\$56,874	-61.55%
Total Income	\$1,755,700	\$1,272,914	37.93%

Compensation & Benefits	\$640,205	\$576,657	11.02%
Associate Dues	\$1,204	\$5,595	-78.48%
Office Occupancy	\$72,370	\$60,824	18.98%
Office Operations	\$380,684	\$311,907	22.05%
Education & Promotion	\$46,440	\$61,120	-24.02%
Loan Servicing	\$176,588	\$159,376	10.80%
Professional & Outside Services	\$202,422	\$161,592	25.27%
Provision for Loan Losses	\$116,178	\$11,000	956.16%
NCUA	\$7,191	\$6,408	12.22%
Other Expenses	(\$311)	\$1,022	-130.43%
Total Expenses	\$1,642,971	\$1,367,060	20.18%
Dividends	\$103,448	\$134,805	-23.26%
Gain/(Loss) on Sale of Assets	\$0	\$6,572	-
NET INCOME(LOSS)	\$9,281	\$654	92.95%

Marketing Report

2020 141 net new memberships

2021 36 net new memberships



Above is the net number of new memberships that were opened in 2021 vs. 2020. Net new memberships are the total number of new memberships (no other accounts with us) minus the number of closed memberships (no other accounts with us). In 2021 we had less net new memberships than in 2020. This is partly due to COVID as well as the indirect lending program not producing as many loans (which creates new memberships) as in 2020.

Due to COVID, we had to cancel our annual Bikes, Beans and Mean Machines event and were not able to get the RV, CU on Wheels, out and about in the counties we are a part of. However, 2022 looks to be promising! We have planned to attend an event with the RV in May at Harvey RV and are looking for more events to be a part of. We are confident that our Bikes and Beans event will also happen this year.

Our social media pages are growing but slowly. We encourage everyone to like our social media pages and share our posts. This will increase the number of people who see our posts and to potentially like our pages as well.

We submitted an entry for the annual CUNA Diamond Awards. We won an award for Best Membership Marketing!! This is a huge honor and we are very proud of our accomplishment and commitment to marketing our products and services to our membership!





Community Involvement and Impact

Bangor Homeless Shelter - donation

Dirigo Reads - donation

Good Samaritan - donation

Breast Cancer Real Mean Wear Pink - donation

Purple Iris Foundation - donation

Red Cross - donation

Bangor Firefighters - donation

Brewer Firefighters - donation

Eastern Agency on Aging - donation

Paws On Parade - donation and sponsorship

Penobscot Theatre - sponsorship

United Way - donation

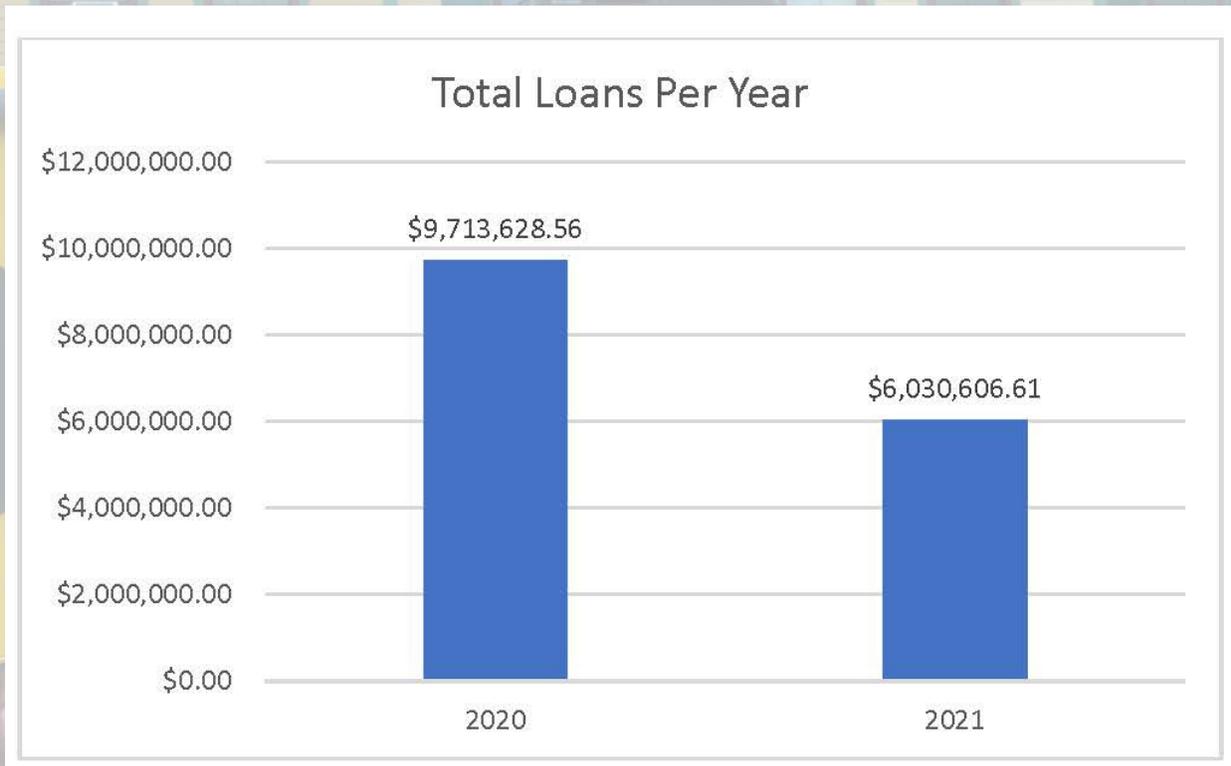
Maine Parkinson Society - donation

Ending Hunger in Maine - donation

Lending Report

2020 \$9,713,628.56

2021 \$6,030,606.61



COVID continues to make an impact in many areas of the credit union. Lending is one of those areas. With the help of Rob and his creativity, we've implemented programs to help create more loans and interest income to circumvent the impact of COVID.

Bobbi Jo, our AVP Sr Loan Officer and LuAnn Brown, our AVP Loan Officer have worked very hard to help bring in more loans as well. Their cross-selling abilities have grown and have been a tremendous help in bringing more loans to the credit union. They continue to provide great member service and financial wellness to all our members and potential members.

Our loan volume in 2021 was down compared to 2020. This was due to our indirect lending program. We started the indirect program in March 2020. This program helped make 2020 a great year in lending. In 2021 we received fewer loans than expected from this channel. Due to this reason, in January 2022 we implemented a new indirect lending program called Culane. Culane is a Maine based indirect lending program that is made up of 10 Maine credit unions. This has been a great change and has helped increase our loan volume for 2022.



Collections Report

The challenges of 2020 continued into 2021. The big differences were that people were getting back to work and there was no stimulus money. We had higher than normal repossessions and charge-offs. There was a total of 13 repossessions (1 member was repossessed twice) with 3 of those being redeemed, 2 were voluntarily surrendered and 7 of those repossessions were indirect loans.

There were 17 in-house charged off loans with a total amount of \$63,459.67 with \$4,716.46 in recoveries.

December 2021 delinquency percentage was 0.85% (versus 1.85% December 2020). The 2021 average was 0.77%, down from 1.44% average for 2020. The delinquency percentage was 0.44% for the end of March 2022. The end of March also has had the lowest dollar amount of 60+ days delinquency (\$75,152.62) since prior to 2019.

2022 is facing its own challenges with the raising costs of fuel and heating oil. Inflation and raising rates with the higher costs of fuel can certainly impact delinquency as the year progresses.



In Loving Memory – Bob King

Bob was a fixture in our credit union for decades! He spent time as our Treasurer in the early years of the credit union. Then served on our Supervisory Committee and Board of Directors. Bob was never short on things to do – he was always busy doing something – taxes, driving cars for Darling's, running our Supervisory Committee Meetings, etc.

Bob would frequently visit the credit union and was always checking on everyone. He wanted to make sure everyone was happy, doing well and to see if there were anything he could do to help.

Bob loved this credit union! He spent countless hours over the decades serving, helping, volunteering to help build the credit union. Bob's passion and love for the credit union was as consistent as him wearing his Darling's hat!

We are all honored and thankful for our opportunity to work with Bob over the many years. He has done so much for the credit union and its employees since we started. We honored Bob's legacy with a plaque in the Boardroom next to the chair that Bob used to sit in.

While we are still sad about losing Bob last year, we are honored and humbled to have Bob's son, Andy King, join our Board of Directors. We know how much it would mean to Bob and to all of us at Changing Seasons FCU.

Thank you Bob!

