

Topside

Federal Credit Union



2020

Annual Report



Topside Federal
Credit Union.

The view's better
from here!

2020 ANNUAL REPORT

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MINUTES

2019 Annual Meeting

I. Pre-Meeting Announcement

The CEO showed a co-branded video with DCUC. He then gave a brief background and introduced special guest speaker NSASP Commanding Officer, Todd Copeland.

II. Special Guest Speaker

Special guest speaker, CAPT Todd Copeland, addressed the audience highlighting how excited he was to be stationed at Naval Support Facility Dahlgren. CAPT Copeland also expressed how much he is looking forward to working with the newly renamed Topside Federal Credit Union staff and all they do for the base community.

III. Call to Order

Chairman Woodfin Straughan called the meeting to order at 6:25 p.m., with Executive Assistant Tammy Ting-Beach taking minutes. Vice Chairman Jim Venable, Treasurer David Martin, Director Lucia Perkins and Associate Director Stacy Horne, Supervisory Committee Chairman Jim Criss, CEO Bruce Six, CFO Jim Bangert, CIO Scott Varga, and CXO Dora Vogel were present. Forty-three people attended, 14 adults, 2 child, 20 employees, 6 Board of Directors, and 1 Supervisory Committee member. The Board of Directors excused the absence of Secretary Jack Bell and Director Barry Mohle.

IV. Invocation

Board of Director Lucia Perkins gave the invocation.

V. Pledge of Allegiance

The Chairman led the Pledge of Allegiance.

VI. Approval of the 2018 Annual Shareholders Meeting Minutes

The Shareholders reviewed the minutes from the 2018 annual Shareholders meeting. A motion was made by Leslie Jordan and seconded by David Garvin to approve the 2018 annual Shareholders meeting

minutes. All present were in favor. The motion was unanimously carried to accept the minutes of the 2018 annual Shareholders meeting. The minutes are in the annual report.

VII. Reports

Chairman's Report

The Chairman of the Board of Directors presented the Chairman's report. The report can be found in the annual report.

Treasurer's Report

The Treasurer of the Board of Directors presented the Finance Review of 2018. The report can be found in the annual report.

Supervisory Committee Report

The Chairman of the Supervisory Committee presented the Supervisory Committee's Chairman report. The report can be found in the annual report.

CEO Report

The Chief Executive Officer presented the CEO report. The report can be found in the annual report.

VIII. CEO Presentation

The CEO Presented a new Topside Federal Credit Union video. He highlighted the history of the Credit Union, the name changes the Credit Union has gone through before the current name change to Topside Federal Credit Union, all the services the Credit Union offers their members, and the process the Credit Union went through to change their name.

IX. New Business

Questions from the Floor

1. Who picked the awful name and color?
 - The Credit Union created a rebranding committee which consisted of a board member, internal staff, and a few members. The Credit Union also worked with an outside rebranding firm who has worked with other financial institutions on their rebranding journey.

MINUTES CONTINUED

2019 Annual Meeting

2. What is the process for determining who gets nominated for the Board of Directors?
 - There is a nominations process.
 1. You must be a Credit Union member
 2. You fill out an application (available October 1 -31 of each year)
 3. You go through a background check
 4. Once you pass the background check, your name is added to the election ballot
 5. Membership votes
 6. The nominee who gets the most votes wins the election
 - Supervisory Committee is also a great place to start
 - i. Fill out an application
 - ii. You go through a background check
 - iii. If you pass the background check, your application is sent to the Nominations Committee, if they approve, your name is presented to the Board of Directors for approval of appointment to the Supervisory Committee

X. Election Results

The Chief Executive Officer announced the winners of the nominees for the Board of Directors election:

1. Stacy Horne
2. Woodfin Straughan

XI. Adjournment of Meeting

The Board Chairman called for the adjournment of the 2019 Annual Shareholders meeting. A motion was made by Jean Fraysse and seconded by Justin Smith to adjourn the 2019 Annual Shareholders meeting. All present were in favor. The motion was unanimously carried to adjourn the 2019 Annual Shareholders meeting.

The meeting was adjourned at 7:00 p.m.

Chairman Woodfin Straughan

Treasurer David Martin

REPORT

Supervisory Committee

The year 2020 was a challenging year for everyone due to the Covid-19 pandemic and the Supervisory Committee was not an exception. Procedures for our monthly meetings and audits had to be modified to maintain safety. Our primary duty and focus was to see that audits were performed by independent auditors and that the results were reported to the committee for review. The committee engaged Clifton Larson Allen, LLP to perform our 2019 opinion audit. Monthly meetings were held to review the results of these audits as well as member feedback concerning their experience at the Credit Union. When a member had a complaint or concern about the Credit Union, the Committee followed up to make sure any questions were answered, and any complaints were properly addressed.

We said goodbye to Committee members Ray Farmer and Katherine Zimmerman, and we appreciate their service to the Credit Union. We attribute the success and soundness of the Credit Union to the efforts and dedication of the managers, staff, and volunteers. I would like to thank the members of the Supervisory Committee: Billy Shelton, Robert Weber, and board representative Stacy Horne for their hard work and commitment.

If you would like to know more about the duties of the Supervisory Committee or have an interest in volunteering, please contact the Credit Union or visit our website for more information.

Jim Criss

Chairman Supervisory Committee

EXECUTIVE TEAM

Bruce Six, Chief Executive Officer
Dora Vogel, Chief Execution Officer
Kathy McCarthy, Chief Lending Officer
James Bangert, Chief Financial Officer
Scott Varga, Chief Information Officer
Lisa Williams, Chief Marketing Officer

SUPERVISORY COMMITTEE

Jim Criss, Chairperson
Robert Weber, Secretary
Willie Shelton, Chairperson
Stacy Horne, Board of Directors
Representative

BOARD OF DIRECTORS

Woodfin Straughan, Chairman
Jim Venable, Vice Chairman
David Martin, Treasurer
Lucia Perkins, Secretary
Jack Bell, Director
Jim Ball, Director
Stacy Horne, Director

REPORT

Treasurer

Topside Federal Credit Union's assets grew significantly during 2020, increasing from \$395 million to \$456 million. A growth rate of 16.54%. Due largely to multiple Economic Impact Payments from the federal government's Coronavirus Aid, Relief, and Economic Security Act, Member Shares increased 16.43%, which was the primary source of asset growth. Loans also grew at an accelerated rate during the year, from \$169 million at year-end 2019, to \$205 million at year-end 2020, a growth rate of 21.32%. As member loan demand continued to decrease, and deposits continued to grow, alternate sources of loan activity were sought. The Credit Union entered several contracts to purchase portions of loans from other credit unions, known as Loan Participations. This allowed the Credit Union to continue to generate interest income, which in turn, enabled the offering of attractive products and services to our Members. At the end of 2020, Loan Participations totaled \$47 million. By taking these steps, the Credit Union was able to increase the loan to share ratio from 47.05% to 48.95% during the year. Funds that could not be utilized for loans were used for a variety of safe investments authorized by the National Credit Union Administration (NCUA), the governing body of federal credit unions in the U.S.

The Net Worth ratio, which is a measurement of capital to assets, decreased from 8.05% at year-end 2019 to 6.97% at the end of 2020. This, again, was due to the unprecedented growth in Member Shares and consequently Total Assets. This is classified as "Adequately Capitalized" by the NCUA. Although the goal of the Credit Union is to remain "Well Capitalized", it has the ability and resources to operate temporarily at the lower level for an extended period.

Despite the tremendous loan and share growth, generating earnings was a challenge in 2020. Net Income for the year was \$255,185 compared to \$1.4 million during 2019. Interest rates which began falling prior to 2020, continued in a downward trend through the end of the year. Consequently, Total Interest Income dropped from \$12.3 million the previous year, to \$11.8 million in 2020. Additionally, due largely to the pandemic turmoil, Fee and Other Operating Income was reduced from \$4.1 million in the prior year to \$3.8 million in 2020. Non-Interest Expense was held to a modest increase, however the Provision for Loan Losses, which is an expense that recognizes future loan losses at the time the loans are made, increased almost \$62 thousand. This was a result of the large increase in loans during the year.

The Board of Directors and management continue to take a proactive and fiscally conservative approach to managing the financial well-being of the Credit Union, so that we can continue to offer a variety of attractive and competitive products and services to our Members.

David Martin
Treasurer



REPORT Bruce Six, C.E.O

Topside FCU is ready and very willing to be there for you as we put last year in the past and look forward to helping members create a prosperous future.

To say 2020 was an unusual year is a drastic understatement. Worldwide, the lives of just about every single person was impacted by the pandemic. Add to that the civil unrest and a very contentious election here at home, and I think everyone would say thank goodness 2020 is behind us. While these issues persist into the new year, I have hope that progress will be made on all fronts.

The impact of the pandemic on the Credit Union was similarly dramatic in 2020. The first two months had the year progressing close to plan. By March, lockdowns and changes in commerce started impacting the Credit Union's operations and balance sheet. Temporary branch closures and later reduced branch capacity meant the Credit Union had to pivot quickly to other ways of serving members. The efforts of the past five years to enhance and improve remote access and other technologies were a saving grace for many members. Though the Credit Union has had mobile check deposit capabilities for nearly a decade, many members had never used the product until 2020. The number of mobile check deposits increased over 26% during the year. The Credit Union's contact center handled approximately 40,000 calls in 2020, a sizable increase in call volume. The planned implementation of a branch scheduling process that allowed members to make an appointment to visit a branch was very well timed so that by late summer members could be sure they would be able to get in and out of a branch quickly and efficiently. Our touchless payment capabilities (ApplePay®/SamsungPay® and AndroidPay™) provided easy checkout options with no need to touch common areas that could spread the virus. Another soon to be released enhancement for easier payments include tap-to-pay capabilities on credit union credit and debit cards. These touchless options are not just more convenient than traditional payment methods, but also more hygienic and more secure.

In the midst of all the COVID related changes, the Credit Union introduced full-service business

REPORT CONTINUED

Bruce Six, C.E.O

accounts that includes business lending and credit cards. Topside FCU now has a full-time business account relationship contact who, even with the restrictions and lockdowns, was able to generate quite a few new business loans during the year. Being an integral part of the community is very important at Topside FCU and the ability to provide business services to our members is a big part of our commitment to help our region grow and prosper.

As our Treasurer has outlined in his Treasurer's Report, deposits grew well above budget forecast and played havoc with our ratios and expense profile. The Credit Union has worked very hard to be a competitive loan provider and in 2020 the Credit Union added significant loan growth. Quite frankly, Topside FCU is usually the option with the best loan rates, and when you take a loan from the same place your payroll is deposited, it's much easier to make payments. That said, people's inability to spend money and stimulus money from the government, the Credit Union grew approximately \$60 million more than budgeted in 2020 and for that reason we were forced to lower rates significantly. We project as the pandemic is brought under control, that a good portion of that money will roll back into the economy as members are able to travel, dine out, and plan events again. The Credit Union has the liquidity to fund all your post-COVID plans, either with balance withdrawals or loans. Please look at Topside whenever you consider taking a loan.

In summary, 2020 was rather bleak just about any way you look at it. Topside FCU is ready and very willing to be there for you as we put last year in the past and look forward to helping members create a prosperous future.

Thank you for being a member of Topside Federal Credit Union

Bruce Six
CEO

INCOME STATEMENT

	2019	2020
INCOME		
Interest on Loans	\$8,058,840	\$8,399,766
Securities, deposits, etc...	\$4,266,019	\$3,429,874
TOTAL INTEREST INCOME	\$12,324,859	\$11,829,640
INTEREST EXPENSE		
Member Share & Savings Accounts	\$1,377,807	\$1,233,827
NET INTEREST INCOME	\$10,947,051	\$10,595,814
PROVISION FOR LOAN LOSSES	\$466,673	\$528,373
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$10,480,378	\$10,067,441
NON-INTEREST INCOME		
Service Charges & Fees	\$1,961,052	\$1,444,371
Other Non-Interest Income	\$2,095,357	\$2,393,553
Net Gain on Investment Sales	\$273,859	\$944,170
TOTAL NON-INTEREST INCOME	\$4,330,268	\$4,782,094
NON-INTEREST EXPENSE		
Compensation & Benefits	\$6,359,032	\$7,082,051
Operations	\$6,234,977	\$6,747,477
Other Operating Expenses	\$797,140	\$764,822
TOTAL NON-INTEREST EXPENSE	\$13,391,149	\$14,594,350
NET INCOME (LOSS)	\$1,419,497	\$255,185
STATISTICAL DATA		
Number of Members	39,010	39,251
Average Shares per Member	\$9,252	\$10,706
Number of Loans	13,169	18,153
Avg. Loan Balance	\$12,895	\$11,332
Loan/Share Ratio	47.05%	48.95%
Delinquency Ratio	0.40%	0.35%
Net Worth	8.05%	6.97%

FINANCIAL CONDITION

	2019	2020
ASSETS		
Cash & Equivalents	\$41,866,691	\$58,216,865
Securities - Available-for-Sale	\$150,551,045	\$153,607,880
Other Investments	\$2,102,310	\$2,137,603
Loans, Net	\$168,802,192	\$204,797,139
Accrued Interest Receivable	\$844,094	\$1,009,857
Foreclosed & Repossessed Assets	\$258,775	\$22,800
Premises & Equipment, Net	\$9,349,534	\$8,913,308
NCUSIF Deposit	\$3,422,295	\$3,731,429
Life Insurance Policies	\$7,516,127	\$7,674,623
All Other Assets	\$10,245,742	\$15,843,991
TOTAL ASSETS	\$394,919,908	\$455,955,495
LIABILITIES & EQUITY		
Members' Share & Savings Accounts	\$360,958,805	\$419,984,595
Accrued Expenses & Other Liabilities	\$2,200,801	\$2,693,822
TOTAL LIABILITIES	\$362,915,107	\$422,678,417
Regular Reserve	\$3,776,731	\$3,776,731
Undivided Earnings	\$28,002,181	\$28,257,366
Accumulated Other Income	\$264,786	\$1,242,981
TOTAL MEMBERS' EQUITY	\$32,043,698	\$33,277,078
TOTAL LIABILITIES & MEMBERS' EQUITY	\$394,958,805	\$455,955,495

Our support-driven culture delivers on our promise of helping members build financial security for every stage of their lives. Good member support matters. Great member support sets us apart. Add in our extensive community involvement and our passion around financial education and you have a Credit Union that stands tall and above all other financial institutions in the area. At our Credit Union, we're always ready with an "all hands" approach when it comes to providing the right amount of support that anyone needs.

2020 was a challenging year for all of us. It forced most people and businesses to adapt to new realities. What makes me optimistic is seeing that people are capable, not only to adapt, but to thrive on change. One of the changes our Credit Union made was to rebrand to Topside Federal Credit Union. After investing months in qualitative and quantitative research, finalized data indicated rebranding would improve consumer recognition and eliminate field of membership confusion, keeping us relevant for decades to come. While the new brand name was a monumental change for the Credit Union, it was not the result of a buyout or merger. The new name is a strategic action step in the organization's comprehensive long-range plan to grow and continue building a healthy and sustainable organization serving current, prospective, and future

REPORT Chairman's

I am honored to serve as Chair of Topside Federal Credit Union's Board of Directors. There is a spirit of support that runs deep at our credit union. That shouldn't be a surprise to anyone that knows us. Since we opened in 1961, we've been a reflection of our connection with the Dahlgren Naval Base. The base, and its civilian contractors, have a strong heritage of serving to support the men and women in uniform fighting for our country. This serving-to-support essence is our heritage too. As we teach our staff to support members, we're also teaching them to support each other.

members. Aside from the name change, we are still the same great organization with the same great employees. We are evolving to meet our members' and our community's needs and offer new ways to succeed.

Thanks to our proximity to Richmond VA and Washington DC, our community is growing and thriving. Topside is thrilled to be able to support the community that supports us. Even though our "normal" community efforts were derailed by the pandemic, we found alternative ways to give back. We held a shred event in September at our Massaponax location where we shredded over 16,000 pounds of paper and raised \$2,000 for Germanna Community College's Gladys P. Todd Academy. Topside also hosted 3 food collection events to help feed our community. These events resulted in 1,200 boxes of cereal collected for the Fredericksburg Area Realtors Association Cereal drive; 10 full Thanksgiving meals to families in the King George area; and in Partnership with Gander RV, provided over 1,900 meals for families at the Fredericksburg Regional Food Bank.

As we look ahead to 2021, Topside Federal Credit Union will continue to grow and help our members come out on top. On behalf of our dedicated associates, thank you for choosing Topside to support you.

We're Topside Federal Credit Union.

The view's better from here.

WoodfinStraughan
Chairperson





AUGUSTINE BRANCH

2004 Augustine Avenue,
Fredericksburg, VA 22401

Lobby:

Mon - Thurs: 9 AM - 5 PM
Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

Drive-Thru:

Mon - Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

MASSAPONAX BRANCH

9622 Jefferson Davis Hwy,
Fredericksburg, VA 22407

Lobby:

Mon - Thurs: 9 AM - 5 PM
Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

Drive-Thru:

Mon - Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

PLAZA BRANCH

5472 James Madison Pkwy,
King George, VA 22485

Lobby:

Mon - Thurs: 9 AM - 5 PM
Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

Drive-Thru:

Mon - Fri: 9 AM - 6 PM
Sat: 9 AM - 12 PM

DAHLGREN BRANCH

17442 Dahlgren Road,
Dahlgren, VA 22448

Lobby:

Mon - Fri: 8:30 AM - 3 PM



topsidefcu.org

| 540.663.2181

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