

Partnership Financial Credit Union
63rd Annual Meeting

Wednesday, February 24, 2021



Chair Report

While 2020 was a difficult year of unforeseen challenges for our membership and for our world, rest assured, your credit union remains strong and has grown. Our Assets, Loans and Equity all increased and our membership grew as well. Despite a difficult year, we made every effort to provide our members with outstanding personal service and offer them a wide range of products and services to meet their financial needs.

We have grown this past year, partnering with Glenview Credit Union in August of 2020. With the addition of their 1,506 members and their assets of \$18 million, we are hopeful that all our members will benefit from enhanced services, convenience of a new office and the financial benefit of additional economies of scale. We would like to extend a warm welcome to our new members and staff and introduce our new President, Dan Stojanovic and our new Director, Mike Vilches.

The Covid-19 Pandemic and the resulting recession has impacted all of us. PFCU was able to operate in our office locations and keep our members and staff safe. We are grateful to our staff for their dedication and commitment to serving our members. We are also grateful to our members for their adaptation to our new circumstances by taking advantage of Online Account Access, the mobile app with 24-hour access to remote deposit and telephone teller. Our members also made great use of our drive-thru lanes which offered additional hours of operation on Saturdays from 8:30 am to 12:30 pm.

One of the focus areas for PFCU this past year was helping our members access digital services. Certainly, Covid-19 made this an even greater priority. With our lobbies closed for three months, our staff engaged in an effort to communicate with all members by calling them. Our new Core system provided analytics that helped our staff with information to check in with our members ask if PFCU could help with services that were needed during this difficult time. For our members who were financially impacted by the recession, we were able to offer loan payment deferments throughout the year. We hope that our services and outreach helped to reduce the financial stress our members were experiencing during this difficult and challenging time.

Another focus for us this year was providing additional account security to our members. Our campaign to encourage and acclimate our members to using eStatements was very successful. Over 2,500 members took advantage of this enhanced security for account access. EStatements are the most secure way for our members to receive their personal account information. We are hoping more members will switch to eStatements in the future.



The Board is grateful beyond measure to Mary Ann Pusateri for her outstanding leadership as our CEO. During this past year with its unforeseen and difficult challenges, we are fortunate to have been guided by her strength, vision and 34 years of leadership experience. The Board is also grateful for the outstanding leadership of our Executive Vice Presidents, Theresa Guerriero and Marisa Conforti, along with their outstanding staff who have gone above and beyond this past year to serve our members.

In closing, the Board would like to express our sorrow at the passing of Glenn Dessing. Glenn served on our Board for 44 years. He loved our credit union and wanted only the best for our members. We are truly grateful for his service and his friendship.

Respectfully submitted,

Katherine France, Board Chair



Supervisory Report

In accordance with the Illinois Credit Union Act and Partnership Financial Credit Union's bylaws, the Supervisory Committee exercises its independent credit union oversight through the engagement of external and internal auditors.

The Supervisory Committee has retained the services of Wipfli LLP to perform the annual audit as of December 31, 2019. The purpose of this required audit is to obtain an auditor's opinion of PFCU's financial statements and to confirm that PFCU conforms to U.S. Generally Accepted Accounting Principles (GAAP) as well as meets the requirements of the Department of Financial and Professional Regulation, State of Illinois (IDFPR) and National Credit Union Administration (NCUA). In addition, the auditors perform a verification of member accounts as well as a review of the performance of credit union officials and employees. The results of this audit were presented to the board in April 2020. The results indicated that PFCU is operating in a financially-sound manner and in compliance with all applicable rules and regulations.

In addition, the Supervisory Committee hired an independent Asset Liability Management firm, McQueen Financial Advisors, to perform an analysis of the credit union's asset liability risk management. The results of these audits are reported quarterly to the Board which ensures that PFCU is managing financial and operational risks.

The committee also engaged Illinois Credit Union League (ICUL), an association for credit unions, to perform the Bank Secrecy Act (BSA) audit and quarterly independent internal audits. Lastly, an independent auditor was contracted to perform the Automatic Clearing House (ACH) audit. This fulfills the audit responsibilities during 2020, as part of our commitment to our members that PFCU always adheres to financial regulations.

I would like to thank the committee members, Howard Bultinck, Walter John and Bill Porter for their time and efforts through the year serving on the Supervisory Committee. In addition, the committee would like to express its appreciation to the management team and staff of PFCU.

Respectfully submitted,

Michael Graham, Supervisory Committee Chair



Executive Finance Report

Based upon my review, I am pleased to report that 2020 was a strong year for growth in assets and loans to our members at PFCU.

During the year, our assets grew \$54 million or approximately 29% and our loans to our members grew approximately \$6 million or just over 6.5%. Part of our asset growth can be attributed to our new partnership with the Glenview Credit Union which had assets of \$18 million. The balance of the \$36 million in growth can be attributed to our financially savvy members who have carefully managed to increase their savings by entrusting the credit union during these unprecedented times.

As treasurer, I can assure you that the main goal of PFCU is to provide a variety of financial and loan products that meet our members' needs. Funds that are not utilized for member loans or product enhancements are invested in Corporate Credit Unions, Certificates of Deposit, U.S. Government Securities, Annuity Investments, Municipal Bonds and Bank Notes.

In 2020, PFCU's Investment Portfolio earned approximately \$2 million, which is an approximate annual yield of 1.95%; whereas our Loan Portfolio earned approximately \$4.2 million with an approximate annual yield of 4.35%.

As a result of the significant growth PFCU experienced during 2020, the credit union's Equity Ratio is 9.70%, which is considered well capitalized by the IDFPR (Illinois Department of Financial and Professional Regulations) and the NCUA (National Credit Union Association). PFCU strives to continue offering the most competitive products and services to our members while maintaining our financial stability.

I congratulate the Directors, committee members and staff for all their hard work in 2020 and I look forward to a prosperous 2021 that financially benefits our members.

Respectfully submitted,

Len Ackman, Treasurer



Scholarship Report

*PFCU's scholarship program, The Rising Star Scholarship, was established in the year 2000. Since its inception, more than \$184,000 has been awarded to graduating high school seniors. One of the criteria for the recipients is that they or their parent or guardian be a member of PFCU at the beginning of the prior school year. In addition to academic excellence, applicants must exhibit four key traits: **Passion, Focus, Charity and Uniqueness** in their educational journey.*

In 2020, a total of 50 applications were received and 23 scholarships totaling \$37,000 were awarded to an outstanding group of individuals in increments from \$500 to \$3,000. We are so appreciative of the generosity of one of PFCU's members who anonymously donated \$6,000 from their personal funds to last year's scholarship fund. The committee was thoroughly impressed with all of the applicants making it a difficult decision to select the final recipients. PFCU has again budgeted \$30,000 for the 2021 scholarship fund.

Applications are made available every year in early January and completed applications are due by mid-March. Recipients are notified individually, and a press release is issued in May congratulating all the graduates and wishing them a successful college career. Typically, a presentation of the scholarships is made at the high school annual award ceremonies for seniors. Due to the pandemic, PFCU will host a virtual award presentation of the PFCU Rising Star Scholarships for graduating seniors and their parents.

In closing, I'd like to thank the other members of the Scholarship Committee: Howard Bultinck, Michael Graham and Steven Underwood for their commitment to the selection process.

Respectfully submitted,

Vanessa J. Calloway, Scholarship Committee Chair

Lending Report

PFCU is pleased to announce that although 2020 presented some challenges, staff was diligent in providing and meeting the borrowing needs of our members. As the interest rate environment continued to offer all-time low interest rates, PFCU was able to increase our loan portfolio by \$6.3 million, bringing our total loan portfolio to just over \$100.3 million. This represents a 7.5% increase over the previous year. Lending money to you, our members, continues to be one of our primary missions. This year we were able to offer a 'Member Assist' loan, to those members who were affected by the pandemic. This allowed our members easy access to funds to help with difficult times.

PFCU's in-house First Mortgage Loan Program hit record numbers in 2020. As interest rates reached record lows, more members were able to benefit from the low rate environment. In 2020, PFCU was able to provide mortgage loans totaling a record \$36.1 million.

In addition to the funding origination of over \$36.1 million in first mortgages PFCU has established a servicing portfolio program which allows us to retain the payment processing on all first mortgage loans that we originate. This allows our members to make payments at any of the convenient PFCU locations or access their mortgage online and be able to transfer payments through online account access or from our mobile app. As we move forward into 2021, PFCU anticipates continued growth in the first mortgage loan portfolio. We offer all rates and terms of First Mortgages as well as a first-time home buyer's program for those just starting out.

PFCU continues to offer a competitive Home Equity Loan program to our members who currently own their home. We have lowered our Home Equity Line of Credit start rate to as low as 1.99%. This rate is effective for the first year of the loan! With the current tax benefits still available (please consult your tax advisor), our members have been able to use these funds for home improvements, education, travel and even reinvestment in a vacation home.

Vehicle loans are a mainstay of the many PFCU loan programs available. PFCU's auto loan portfolio also increased last year. PFCU provided 321 vehicle loans in 2020 for a total of just over \$7.5 million. The technology PFCU provides now allows our members to obtain their vehicle loan without ever leaving their home. Members are always welcome to conduct their loan business in person, in any of our five convenient office locations.



PFCU offers member accessibility to many resources that assist in various aspects of a member's finances. Some include:

- *SavvyMoney– The online Credit Score resource to obtain a free credit report, credit score and credit monitoring tools. Additional articles and blogs are available within the site to provide a wide range of educational information.*
- *WheelZone– Our online vehicle shopping tool helps our members navigate their car shopping experience without pressure. This allows you to find a car, use the payment calculator to help determine what you can afford, locate the dealer that has the car of your dreams and apply for a loan with PFCU – all within the same site.*

Several promotional programs are offered and advertised throughout the year to help our members with planned and unexpected expenses, holiday and vacation expenses, and additional options for debt consolidation. Members have the opportunity to work with one of our experienced loan officers to explore programs that would work best for their situation.

If assistance is needed with any of our online programs, or if there are general questions, members are encouraged to reach out to any of our experienced loan officers for help with their financing questions and needs.

I would like to thank the Board of Directors and the staff at PFCU for their continued support, direction and hard work to help us achieve the growth that we have accomplished.

Respectfully submitted,

Theresa M. Guerriero, EVP Lending

Benefits of Membership

Accounts

- Savings
- High Yield Savings
- Checking – No Big Strings
 - ATM Fee Refunds
- Individual Retirement Accounts (IRA)
- Certificate of Deposit (CD)
- Business Accounts
- Club Accounts
 - Kids
 - Holiday
 - Vacation
 - Summer

Loans/Credit Cards

- 1st Mortgage Access
 - Down Payment Assistance Program
- Home Equity
- VISA Credit Cards
- Vehicle/RV/Watercraft
- Personal
- Student
- Paycheck Protection Loans

Electronic Services

- ATM/Debit Cards
- It's ME-24/7 Online Account Access
 - Mobile Deposit
 - Bill Pay
 - E-Statements
 - SavvyMoney – Free Credit Score
 - Virtual Strongbox
- 24/7 Telephone Access
- Direct Deposit
- Payroll Deduction
- Visa Online Access
- Apple Pay

Additional Products and Services

- College Scholarship Program
 - Graduating High School Seniors
- Drive Thru
 - Des Plaines & Morton Grove Offices
- Night Depository
 - Des Plaines & Morton Grove Offices
- Safe Deposit Boxes
 - Des Plaines Offices
- **Fee-Free Services**
 - Coin Counting
 - U.S. Postage Stamps
 - U.S. Savings Bond Redemption
 - Medallion Stamp Signature Guarantee
 - Signature Validation
 - Notary Service
 - Fax Service
- **Services with Minimal Fees**
 - VISA Gift Cards – First 5 per Month Free
 - VISA Travel Cards
 - Vehicle License Plate Sticker Renewal Program
 - Wire Transfers
- **Discounted Services**
 - WheelZone Car Buying Service
 - Movie Tickets
 - Six Flags Great America Tickets
 - Santa's Village Amusement Park Tickets
 - TurboTax Service
 - Financial Planning
 - Insurance

Financial Statements

Balance Sheet			
	12/31/2020	12/31/2019	% Growth
Assets			
Vehicle Loans	\$19,033,000	\$19,562,000	
CULS Loans	\$6,202,000	\$5,568,000	
Consumer Loans	\$3,978,000	\$3,659,000	
Student Loans	\$548,500	\$413,000	
Visa Credit Card Loans	\$3,097,000	\$3,374,000	
Home Equity Loans	\$17,417,000	\$17,435,000	
First Mortgages	\$45,708,000	\$42,008,000	
Business Loans	\$4,441,000	\$2,151,000	
Reserve for Loan Losses	(\$783,000)	(\$672,000)	
Net Loans	\$99,641,500	\$93,498,000	6.6%
Cash	\$7,542,500	\$4,959,000	
Investments	\$119,320,000	\$77,060,500	
NCUA Share Insurance Deposit	\$1,914,500	\$1,572,000	
CU Building & Land	\$3,868,500	\$3,933,000	
Other Assets	\$5,513,000	\$2,793,500	
Total Assets	<u>\$237,800,000</u>	<u>\$183,816,000</u>	<u>29.4%</u>
Other Liabilities	\$1,411,500	\$1,449,000	
Shares			
Regular Shares	\$132,856,000	\$112,482,000	
Partner Plus	\$14,991,000	\$2,012,000	
Certificates of Deposit	\$22,257,000	\$15,728,000	
Checking Accounts	\$37,748,000	\$26,957,000	
Kids Accounts	\$1,230,500	\$1,929,000	
Holiday Accounts	\$44,000	\$40,000	
Vacation Accounts	\$315,000	\$360,000	
IRA Accounts	\$3,464,500	\$2,290,000	
Summer Share Accounts	\$49,333	-	
Total Shares	<u>\$212,906,000</u>	<u>\$161,798,000</u>	<u>31.6%</u>
Equity	<u>\$22,034,000</u>	<u>\$18,683,000</u>	<u>18.0%</u>
Net Gain	\$1,448,500	\$1,836,000*	<21.1%>
Total Shares and Equity	<u>\$237,800,000</u>	<u>\$183,816,000</u>	<u>29.4%</u>

*\$320,500 Sale of building – Actual <4.5%:



Income Statement

	2020	2019	% Growth
Income			
Interest on Consumer Loans	\$1,714,500	\$1,566,500	
Interest on Real Estate Loans	\$2,471,000	\$2,315,500	
Total Interest on Loans	\$4,185,500	\$3,882,000	
Earnings on Investments & Cash	\$2,031,000	\$2,202,000	
FM Sales Income	\$596,000	\$171,500	
Interchange Income	\$226,000	\$393,000	
Fees	\$427,500	\$297,000	
Other Income	\$96,500	\$82,500	
Building	0	\$320,500*	
Total Operating Income	\$7,562,500	\$7,348,500	2.9%
Expenses			
Employee Salaries & Benefits	\$3,052,500	\$2,694,500	
Conference & Travel	\$17,000	\$21,500	
Checking, ATM, Debit Expense	\$435,500	\$651,500	
Office Operations	\$632,500	\$683,500	
Total Promotional Expense	\$98,000	\$171,000	
Depreciation Expense	\$272,000	\$219,500	
Loan Processing & Servicing	\$352,000	\$263,000	
Provision for Loan Losses	\$250,000	\$155,000	
Insurance	\$73,500	\$72,000	
Occupancy Expenses	\$334,500	\$169,000	
Total Operating Expense	\$5,517,500	\$5,100,500	8.2%
Income from Operations	\$2,045,000	\$2,248,000*	<9.0%>
Total Dividend Expense	\$582,500	\$412,000	41.4%
Net Income	\$1,448,500	\$1,836,000	29.4%
* \$320,500 Sale of building – Actual <4.5%>			

**Directors
Years Served**

	Cardinal Year	Years of Service
Walter John	1967 - 1968 / 1974 - 2014 / 2018 - 2021	44
Len Ackman	1987	34
Katherine France	1997	24
Michael Graham	1998	23
Steven Underwood	2005	16
Vanessa Calloway	2008	13
Patrick Flader	2019	2
William Porter	2019	2
Mike Vilches	2020 / 2012 (GCU)	8
Committee Members Years Served		
Howard Bultinck	1994 - 2015 – Board Member 2015 - 2020 – Supervisory Committee	22 6

2020 Directors, Officers and Committee Members

Executive Committee

Chair	Katherine France
Vice Chair	Steve Underwood
Treasurer	Len Ackman
Secretary	Vanessa Calloway

Supervisory Committee

Chair	Michael Graham
Member	Howard Bultinck
Member	Walter John
Member	William Porter

Scholarship Committee

Chair	Vanessa Calloway
Member	Howard Bultinck
Member	Michael Graham
Member	Howard Bultinck
Member	Steve Underwood

Governance Committee

Chair	Steve Underwood
Member	Len Ackman
Member	Vanessa Calloway
Member	Patrick Flader



Membership Report

Membership Account Totals at Year End 2020

# of Savings Accounts	13,135
# of Checking Accounts	6,042

Alternate Membership Account Totals at Year End 2020

# of Kid's Accounts	412
# of CD Accounts	762
# of Holiday Accounts	192
# of Summer Club Accounts	24
# of IRA Savings	119
# of IRA CD Accounts	40
# of Secondary Share	1,322
# of Summer Payroll Savings	34
# of High Yield Savings	229

Electronic Numbers 2020

# of Mobile Web Active Users	2,727
# of Online Banking Active Users	3,883
# of Text Banking Active Users	629
# of Audio Banking Active Users	104
# of E-Statement Users Enrolled	8,071
# of Remote Check Deposit Sign Up	783



**2021 Board of Directors
Nominating Committee Proposed Slate**

SLATE of DIRECTORS TO BE ELECTED FOR 3 YEAR TERM

Len Ackman

Katherine France

Walter John

Continuing Terms

1 YEAR REMAINING OF A 3 YEAR TERM

Patrick Flader

Michael Graham

Bill Porter

2 YEARS REMAINING OF A 3 YEAR TERM

Vanessa Calloway

Mike Vilches

Steve Underwood