



ANNUAL  
**REPORT**  
2020

Proud PAST  
Strong PRESENT  
**Br**ight FUTURE



# President & CEO REMARKS



**Dion L. Williams**  
President / CEO

While the annual report provides an opportunity to reflect on the past year, I would like to transition the discussion from the past to the present and future. Our humble beginnings in 1949 to the financial institution we are today unquestionably put us in a position to remain strong during recent and ongoing unprecedented times.

2020 will forever be remembered as the year of resilience and perseverance of our members and the entire Piedmont Advantage Credit Union family to fight through the pandemic together. Likewise, we have a renewed optimism as your Credit Union remains safe and sound, with our best days yet to come!

## Proud Past. Strong Present. Bright Future.

One of the characteristics that best distinguishes a credit union from a bank is the spirit of volunteerism. Our Board of Directors and Supervisory Committee members serve as unpaid volunteers; yet, their wisdom, experience and passion are priceless. They adapted to the pandemic environment as we conducted meetings remotely and did not miss a beat to provide oversight in the advancement of management's 2020 strategic initiatives.

Just as any team needs a "bench" for depth, the ranks of our volunteers are no different. As the calendar year turned to 2021, we established Member Advisory Groups in the three regions we serve throughout the state. Quarterly meetings take place in which these committed volunteers serve as a focus group, providing me and our leadership team with valuable insight into our new and existing product and service offerings. In addition, this exposure gives these volunteer advisors insight into our operations and the credit union movement, which may lead to future volunteer roles in leadership.

The pandemic also uncovered an opportunity to serve small businesses within our service areas. The Small Business Administration's Paycheck Protection Program (PPP) that originated during the pandemic illustrated how quickly our team could respond to a need and provide a solution. While PPP met an immediate need, your Credit Union is committed to develop additional products and services to serve small businesses going forward. Now in 2021, we are actively recruiting staff to deliver business services. Deposit and loan products and merchant services are among the offerings that will be available to our areas' small businesses.

Also in 2021, a new service area was added. Davie County is now part of our field of membership. This means anyone who lives, works, worships, goes to school or any business located in Davie County is eligible for a PACU membership. As we look ahead to 2022, a new branch in Davie County is a priority.

In terms of financial performance, PACU has emerged from the pandemic with delinquent loans at the lowest levels in years. Furthermore, loan losses continue on a downward trend. These are extremely favorable signs as we look ahead. Liquidity remains higher than normal due to an increase in member deposits resulting from changes in spending habits during COVID and government stimulus payments, coupled with reduced loan demand from our members. Our increased liquidity has posed some investment challenges as short term interest rates remain at historically low levels. Our net worth, or "rainy day" fund, provides the intended cushion during the pandemic. We are able to continue marching forward with strategic initiatives while remaining financially strong.

Thank you for being a member of Piedmont Advantage Credit Union. On behalf of the Board and staff, it is an honor to serve you. We value your input and pride ourselves in not taking your membership for granted. With your support, PACU's future is bright.



## Treasurer's Report



**John Reece**  
Treasurer

I am **John Reece**, the **Board Treasurer** for Piedmont Advantage, to present the Treasurer's Report for the year ended December 31, 2020.

The Credit Union ended the year with \$406,823,963 in assets. We incurred a net loss for the year of \$1,640,419.

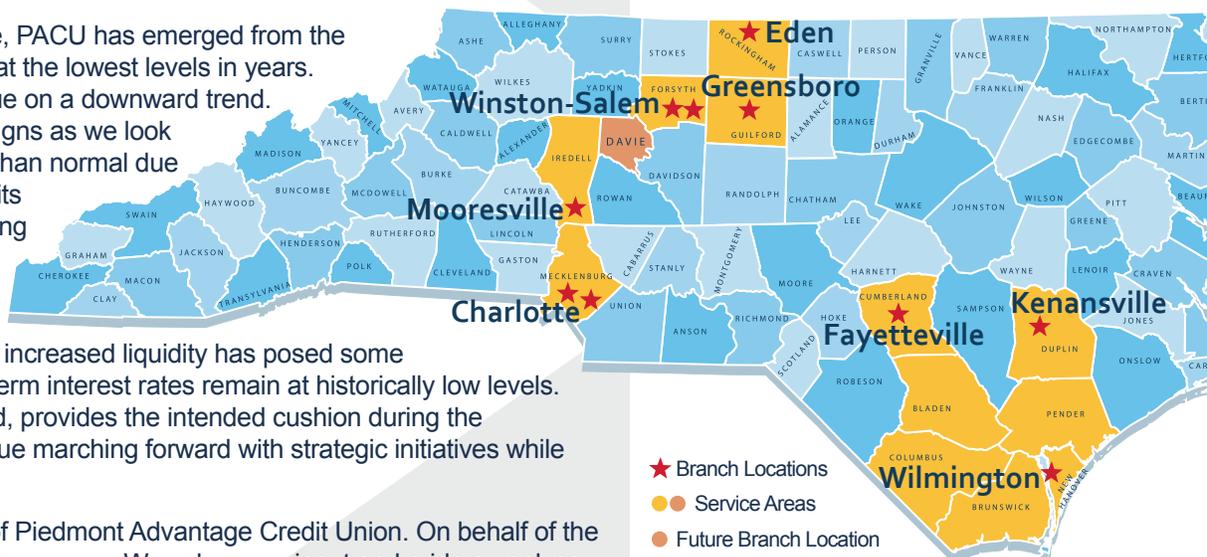
Members' equity was \$34,740,390, which equated to a net worth ratio of 8.57%. A credit union is considered well capitalized if its net worth is over 7%; therefore, Piedmont Advantage Credit Union is well capitalized.

A credit union's equity can also be thought of as its "rainy day fund." That was extremely beneficial in a challenging year when so many people and businesses were impacted by the pandemic.

Your Credit Union remains safe and sound with a strong balance sheet.

Anyone who may be interested in viewing detailed Financial Statements may request a copy from our main office located at 3530 Advantage Way, Winston-Salem, N.C. 27103 or call 800.433.7228.

## Map of Service Areas



# FINANCIAL STATEMENTS

## Statements of Financial Condition

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 59,305,073	\$ 40,715,600
Investments:		
Available-for-sale	49,329,106	2,172,340
Other	2,671,499	4,071,673
Federal Home Loan Bank (FHLB) stock	312,600	319,900
Loans receivable, net of allowance for loan losses of \$2,842,319 and \$3,263,637 at December 31, 2020 and 2019, respectively	260,775,659	274,007,330
Accrued interest receivable	846,904	870,498
Premises and equipment, net	13,684,508	12,914,009
National Credit Union Share Insurance Fund deposit	3,348,352	2,956,921
Assets acquired in liquidation	488,116	873,712
Goodwill	261,120	343,573
Other assets	16,071,669	8,326,125
<b>Total assets</b>	<b>\$407,094,606</b>	<b>\$347,571,681</b>
<b>Liabilities and Members' Equity</b>		
<b>Liabilities</b>		
Members' share and savings accounts	\$ 369,818,972	\$ 309,332,191
Accrued expenses and other liabilities	2,535,245	1,720,695
<b>Total liabilities</b>	<b>372,354,217</b>	<b>311,052,886</b>
<b>Commitments and contingent liabilities - see Note 8</b>		
<b>Members' equity</b>		
Regular reserve	5,561,337	5,561,337
Undivided earnings	28,244,719	29,885,137
Accumulated other comprehensive loss	(153,824)	(15,836)
Equity acquired in merger	1,088,157	1,088,157
<b>Total members' equity</b>	<b>34,740,389</b>	<b>36,518,795</b>
<b>Total liabilities and members' equity</b>	<b>\$407,094,606</b>	<b>\$347,571,681</b>

## Statements of Financial Condition

	2020	2019
<b>Interest income</b>		
Interest on loans receivable	\$ 13,117,665	\$ 13,552,622
Interest on investments	426,524	1,006,418
<b>Interest income</b>	<b>13,544,189</b>	<b>14,559,040</b>
<b>Interest expense</b>		
Dividends on members' share and savings accounts	1,131,091	1,555,685
Interest on borrowings	-	222,491
<b>Interest expense</b>	<b>1,131,091</b>	<b>1,778,176</b>
<b>Net interest income</b>	<b>12,413,098</b>	<b>12,780,864</b>
<b>Provision for loan losses</b>		
<b>Net interest income after provision for loan losses</b>	<b>2,401,000</b>	<b>3,512,000</b>
<b>Noninterest income</b>		
Fees and service charges	3,767,136	4,237,047
Other noninterest income	1,805,100	1,771,381
Gains on sale of investments, net	-	995,539
Gains (losses) on sale of mortgage loans, net	1,630	(61,513)
Gains on disposition of premises and equipment, net	2,861	1,671
<b>Noninterest income</b>	<b>5,576,727</b>	<b>6,944,125</b>
<b>Noninterest expense</b>		
Compensation and employee benefits	7,664,171	6,710,741
Operations	4,867,623	4,794,121
Professional and outside services	1,936,137	1,842,022
Loan servicing	1,082,375	1,196,266
Occupancy	1,019,463	994,770
Education and promotion	577,012	557,585
Goodwill amortization	82,453	82,453
<b>Noninterest expense</b>	<b>17,229,243</b>	<b>16,177,958</b>
<b>Net income (loss)</b>	<b>\$ (1,640,418)</b>	<b>\$ 35,031</b>

PACU's Board of Directors appoints a Supervisory Committee to review the Credit Union's financial records and activities and to ensure that satisfactory internal controls, policies and procedures are in place.



**Justine Lerch**  
**Supervisory**  
**Committee Chair**

I am **Justine Lerch, Committee Chair**, and this report is given on behalf of the committee, which also includes Elizabeth Davidson and Diana Santos-Johnson. Additionally, it is my pleasure to announce that Toni Douglas has been recently appointed to the Supervisory Committee.

The committee retained Elliott Davis to perform the annual audit and review our conformity with generally accepted accounting principles. The audit included financials for year-end of December 31, 2020. Elliott Davis also performed the annual verification of members' accounts, a review and analysis of our policies and procedures and an audit of our 401(k) plan.

During the year, the Credit Union Division of the North Carolina Department of Commerce, along with the National Credit Union Administration, examined the Credit Union to ensure our compliance with all applicable laws, rules and regulations.

Other engaged services included The Legge Group to review our internal controls, policies and procedures; FIRM Consulting to conduct our Bank Secrecy Act and our loan operations' audits; Vizo Financial to audit automated clearing house (ACH) transactions; and SilverSky to perform an Information Technology (IT) security and risk audit.

To conduct business and fulfill our responsibilities, the committee meets to review best practices and recommendations provided by the auditors. These actions "work to ensure that records are maintained properly, honestly and accurately; that policies are carried out faithfully, and that members' assets are safeguarded."

I'm very pleased to report that your Credit Union is well managed and operated in a safe and sound manner!

# Chairman of the Board

## REMARKS

# 2020 Spotlight



**Tom Mekis**  
Chairman

It would be an understatement to say that 2020 was a unique year. The entire world faced the challenges of a pandemic in which the lives of so many people and businesses were disrupted. I am **Tom Mekis, Chairman of the Board** for Piedmont Advantage Credit Union, and my remarks reflect the context of the Credit Union staying true to its mission even during the most challenging of times.

Prior to the pandemic, upgrading technology and infrastructure was a priority of the Credit Union to meet the needs of a changing world. Little did we know those upgrades would benefit PACU members even more than we expected. Credit and debit cards were upgraded.

New features include an updated mobile app, contactless payments and digital wallet capabilities. Call center upgrades included a chat feature for members and enhanced after hours service capabilities.

PACU ATM's were upgraded at all locations. The Liberty Street ATM was relocated across the road to Smith Reynolds Airport to provide a more accessible location for members. The Credit Union relocated its Greensboro branch from shared space with our friends at Self-Help Credit Union to its own space down the street on Battleground Avenue in the Brassfield Shopping Center.

In the midst of a pandemic, your Credit Union stayed the course on strategic initiatives to improve your service experience. We are proud to meet your needs today while continuing to build for tomorrow. In addition, your Credit Union responded to needs during the pandemic.

Emergency loans were offered to members who were facing loss of income during the pandemic. Loan modifications and extensions were also provided to members to get them through challenging times. Piedmont Advantage Credit Union even launched an SBA PPP loan program in a matter of weeks in response to small businesses looking for assistance. That assistance included over 50 small businesses receiving just over \$1.5 million in total loans. PACU members spoke and we listened!

In addition to looking out for our member-owners during the pandemic, we also took care of the team members that serve you every day. Work rotations and remote working were incorporated to keep everyone safe while maintaining productivity. No employees were laid off or furloughed during the pandemic. We were able to maintain full compensation and benefits for staff as some certainty was much needed during a highly uncertain time.

While the Treasurer's report reflected an operating loss for the year, it simply reinforced the importance of the Credit Union having a strong net worth, or rainy day fund, to sustain a difficult period. Your Credit Union did sustain during the pandemic and is working to restore profitability and replenish the rainy day fund in the aftermath.

Your Credit Union is safe and sound. We addressed the needs of members and employees throughout the pandemic while not wavering from our long-term goals. Our best days are ahead of us. The signs through the midway point of 2021 are encouraging. On behalf of the Board of Directors of Piedmont Advantage Credit Union, thank you for the opportunity to serve and represent you.

## Board of Directors



Tom Mekis Chairman  
George Price Vice Chair  
Steve Gilliland Secretary  
John Reece Treasurer  
Justine Lerch Director  
Darren Cranfill Director



Mark Saunders Director  
Gene Sharpe Director  
Jim Taylor Chairman Emeritus  
Mark Linville Associate Director  
Brian Myers Associate Director  
Ramon Hoots Director Emeritus



Branch managers Margie Finney (left) and April Young at the 2021 Juneteenth Fun Run in Winston-Salem

## Diversity and Inclusion Committee Making a Difference

In 2020, a group of thoughtful PACU employees formed a Diversity and Inclusion (DI) Committee. With executive management support, they set out to build a healthier and more diverse, equitable and inclusive workplace where all employees experience belonging and well-being.

Within months, our DI Committee changed the conversation internally. They produced in house an animated training video, "Diversity and Inclusion: The Story Begins." A newsletter, "The Connector," featured our teammates' unique backgrounds and perspectives. They hosted virtual roundtables on relevant topics of the day to encourage the sharing of different perspectives.

The committee also coordinated community activities, which built camaraderie among our teammates, such as the Juneteenth Fun Run in Winston-Salem. See above photo.

PACU is a better workplace, because of this committee's work. Our future is bright.

