

Board Chairman REMARKS



Jim Taylor
Board Chairman

It is with mixed emotions that I will be announcing at our 71st Annual Membership Meeting on September 29, 2020, I am stepping down as your Board Chairman. Having served on your Board for over 50 years, and as your Chairman for over 30 years, it is time for me to pass the gavel. I plan to remain on the Board as a Director until year-end, after which, I feel honored to continue serving as Director Emeritus.

Your Credit Union is extremely fortunate to have so many dedicated, talented and qualified Board members, who can easily fill my shoes. It has truly been a pleasure and honor to have been able to serve this great organization for so many years.

2019 will be remembered as another exciting Piedmont Advantage Credit Union journey. We hired our new President / CEO Dion L. Williams; and with him at the helm as your Board's partner, we are on course for continued success. We are investing in new products, new services and a new infrastructure that will provide an even more secure environment for our members to have the flexibility and confidence to manage their finances from anywhere at anytime.

As we continue on into 2020 and look toward the future, we are certain that through your continued advocacy and active participation, this decade will continue to give us many more reasons to celebrate our successes and invest in your future.

Thank you so kindly for your encouragement and support given to me over these 50 years.

Thank you



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2019 Annual Report: *We have 40,692 reasons to celebrate our past and invest in your future!*

40,692 REASONS to Celebrate our Past and Invest in *your* Future

2019 Annual Report



Board of Directors



Jim Taylor
Chairman
Retired President,
Piedmont Aviation
Member since 1966



George Price
Vice Chairman
Retired Director,
Piedmont Airlines
Member since 1960



Tom Mekis
Secretary
Director, Aircraft Sales
Global Jet Capital
Member since 2002



John Reece
Treasurer
Retired Director,
U. S. Airways
Member since 1971



Ramon Hoots
Director Emeritus
Retired Director,
Piedmont Airlines
Member since 1956



Steve Gilliland
Bestselling Author,
Hall of Fame Speaker
Member since 2005



David Lance
Semi Retired,
Tax and Finance
Member since 2012



Justine Lerch
Retired Educator
and Administrator
Member since 1998



Gene Sharp
Retired VP, Operations
U. S. Airways
Member since 1974



Darren Cranfill
Darren S. Cranfill
Attorney at Law, PLLC
Member since 2014



Mark Saunders
Associate Director
Entrepreneur,
Speaker, Writer
Member since 2014

President & CEO REMARKS



Dion L. Williams
President / CEO

It seems like just yesterday that I was introduced as the new President / CEO of Piedmont Advantage Credit Union (PACU). In reality, it was April 2019.

Since our humble beginnings in 1949, PACU has been blessed with strong, dedicated and loyal leadership from our Board and employees. Words cannot express what an honor it is to be part of writing the next chapters of PACU's story as we continue the fine traditions of serving our member-owners.

At PACU, we believe our sole purpose is to simply serve our members. It is not a gimmick, a tagline or a catch phrase. Rather, it is your credit union affirming that members come first. Simply Service™ is in the culture of PACU and is embedded in everything that we say and do to partner with our member-owners to help them each step of the way of their financial journey.

Speaking of members, we have 40,692 reasons to celebrate our past and invest in your future.

As of year-end, you are among our 40,692 active member-owners in North Carolina and a growing number across the country and worldwide, who have relocated, but have opted to stay engaged with us. This trend validates that our purpose of simply service for the last 71 years is genuine.

While PACU has a strong, loyal membership base, with your support, in 2019, we made several strategic decisions to invest in future growth and continued sustainability. We acquired Fayetteville Postal Credit Union, which became our tenth branch location in North Carolina. We made plans to relocate the Greensboro branch to facilitate a stronger presence in that market. The new location will be open in the early fall 2020. We launched a new checking product, Simple+ Checking, rewarding members for using their debit cards, enrolling in eStatements and having direct deposits.

Even as we continue to navigate through the uncertain times of the Coronavirus pandemic, initiatives that began in 2019 continue to move forward in 2020. The upgrade of our members' after-hours call center experience and offer of online account opening and funding were completed in the second and third quarters of 2020 respectively. We are upgrading our card programs. New credit card offerings and rewards go live in November 2020 with new debit cards immediately following in March 2021. More information will be forthcoming on these exciting enhancements to your card experiences.

To further advance one of our values, Social Responsibility, the PACU Foundation was formed. Creating an infrastructure for more purposeful giving will have a positive economic impact in the communities we are privileged to serve and support a culture of community engagement for our employees.

We finished the year with a net worth ratio of 10.52%, which is well above the regulatory threshold of 7% as a well-capitalized credit union. This ratio represents our "rainy day fund." As we shift our lending focus to organic growth and continue to navigate the uncertainty of the pandemic, this rainy day fund allows us to continue serving you today while investing in your future service experience.

As we move forward in the next decade, we remain rooted in the commitment that our founder, Tom Davis, set out to fulfill in 1949 to take care of our member-owners and our communities. Thank you for giving us 40,692 reasons to celebrate and invest in your future.

Financial Statements

Statements of Financial Condition

	2019	2018
Assets		
Cash and cash equivalents	\$ 40,715,600	\$ 34,792,016
Investments:		
Available-for-sale	2,172,340	8,096,791
Other	4,071,673	2,499,007
Federal Home Loan Bank (FHLB) stock	319,900	863,200
Loans receivable, net of allowance for loan losses	274,007,330	285,000,543
interest receivable	870,498	879,266
Premises and equipment, net	12,914,009	12,643,962
National Credit Union Share Insurance Fund deposit	2,956,921	2,782,163
Assets acquired in liquidation	873,712	1,044,504
Goodwill	343,573	426,026
Other assets	8,326,125	6,710,889
Total assets	\$ 347,571,681	\$ 355,738,367
Liabilities and Members' Equity		
Liabilities		
Members' share and savings accounts	\$ 309,332,191	\$ 306,115,105
Borrowed funds	-	12,355,000
Accrued expenses and other liabilities	1,720,695	1,534,977
Total liabilities	311,052,886	320,005,082
Members' equity		
Regular reserve	5,561,337	5,561,337
Undivided earnings	29,885,137	30,063,721
Accumulated other comprehensive loss	(15,836)	(290,802)
Equity acquired in merger	1,088,157	399,029
Total members' equity	36,518,795	35,733,285
Total liabilities and members' equity	\$ 347,571,681	\$ 355,738,367

Statements of Income

	2019	2018
Interest Income		
Interest on loans receivable	\$ 13,552,622	\$ 12,433,999
Interest on investments	1,006,418	948,356
Interest income	<u>14,559,040</u>	<u>13,382,355</u>
Interest Expense		
Dividends on members' share and savings accounts	1,555,685	1,027,679
Interest on borrowed funds	222,491	230,662
Interest expense	<u>1,778,176</u>	<u>1,258,341</u>
Net interest income	12,780,864	12,124,014
Provision for loan losses		
	<u>3,512,000</u>	<u>3,052,000</u>
Net interest income after provision for loan losses	9,268,864	9,072,014
Noninterest income		
Fees and service charges	4,237,047	4,719,929
Other non-interest income	1,771,381	1,780,526
Gains on sale of investments, net	995,539	92,524
Gains (losses) on sale of mortgage loans, net	(61,513)	842
Gains (losses) on disposition of premises and equipment, net	1,671	(1,640)
Noninterest income	<u>6,944,125</u>	<u>6,592,181</u>
Noninterest expense		
Compensation and employee benefits	6,710,741	5,989,411
Operations	4,794,121	4,257,236
Professional and outside services	1,842,022	1,916,379
Loan servicing	1,196,266	1,073,614
Occupancy	994,770	973,235
Education and promotion	557,585	416,975
Goodwill amortization	82,453	82,453
Noninterest expense	<u>16,177,958</u>	<u>14,709,303</u>
Net income	<u>\$ 35,031</u>	<u>\$ 954,892</u>

2019 Highlights

40,692

Member-Owners

2,316

2019
New Members

Nationwide Network
 5,000 Branches
 30,000 Surcharge-Free ATMs

\$5,000

Scholarships to High School Seniors

10.52%

Net Worth Ratio



PACU remains committed to supporting the communities we are privileged to serve. In 2019, community outreach activities included contributions and sponsorships, totaling \$43,547, thanks to the generosity of our members and employees. We also hosted several financial education events within our branch network, including nearly 100 middle and high school students from the Aviation Career Education Academy (ACE) Summer Camp in Winston-Salem, N.C.

Supervisory Committee Report

As required by the bylaws, PACU's Board of Directors appoints a Supervisory Committee each year to audit our financial statements. The committee represents the membership by reviewing the credit union's records and activities to promote safety and soundness.

The committee retained Elliott Davis to perform the annual audit and review our conformity with generally accepted accounting principles. The audit was for financials for year-end, December 31, 2019.

Elliott Davis also performed the annual verification of members' accounts, an 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 North Carolina Credit Union Administration, examined the credit union to ensure our compliance with all applicable laws, rules and regulations.

Other engaged services included The Legge Groupe to review our internal controls, policies and procedures; First Carolina Corporate Credit Union to audit ACHs; and BAE Systems to perform an IT security and risk audit.

Respectfully submitted,

David Lance, Chairman
Darren Cranfill
Justine Lerch