

# 2018 Annual Report



“Building the ONE”  
Foundation.



# President/CEO's Report

Charlotte H. Cash, President/CEO

The strength of any structure lies in its foundation, the main purpose of which is to support that structure and keep it upright and functioning well. It's no different for Commonwealth One Federal Credit Union. In 2018, we directed our energy toward strengthening the delivery systems we provide to ensure that doing business with us is easy and helps you achieve financial success.

## MEMBERS FIRST

Members want solutions to their financial challenges, as well as a more compelling member experience. So, we're continually researching new products to identify what members need and want. This ongoing process helps us determine the viability of a new product and to what extent it will benefit our members. In 2018, we introduced the following products:

- **100% financing first mortgage loans.** This option helps members eliminate private mortgage insurance and purchase a home with no money down.
- **High Five with the One savings promotion** helped 488 members put \$2.4 million into their savings. This highly successful promotion introduced more members to the power of certificate savings and encouraged them to make a habit of saving. By the end of the 6-month campaign, hundreds of credit union members took advantage of a new 15-month add-on certificate, pointing themselves to a solid financial foundation and a brighter future.
- **A Home Equity Home Improvement Loan** was introduced that allowed borrowers with limited equity in their homes to borrow up to 133% of their home's value, as long as the loan is used to improve the property. This enhanced loan will allow members to improve their homes with funds that might not otherwise have been available.
- **Signature loans** are consistently popular with members because they can be used for so many purposes. We introduced a new signature loan that provides members an alternative to payday loans, with the additional benefit of helping members rebuild their credit.

## FINANCIAL KNOWLEDGE IS POWER

Believing that financial knowledge is power, Commonwealth One offered webinars throughout 2018 on various topics to help guide members over the financial hurdles that occasionally arise on the journey to financial independence.

As a part of our Adult Financial Education initiatives, we hosted over 120 webinars and seminars on key topics that included budgeting and the importance of savings, understanding credit and credit scores, keeping financial information safe, using a home equity loan, refinancing your mortgage, first time car buying, paying for college, creating a financial plan, financial planning, and retirement planning.

Through our goal to encourage financial literacy, we have been offering personally structured financial counseling for members who find they need more direct assistance. Last year, several members took advantage of this special counseling. We also met monthly with Alexandria City Public Schools Students to help them learn financial concepts and build the strong financial decision-making skills they'll need as they face certain financial issues that are integral to their everyday lives.

## COMMUNITY INVOLVEMENT: AS STRONG AS EVER

In 2018, Commonwealth One's launch of its staff volunteer program, COFCUers in Action, highlighted our ongoing commitment to the communities we serve by supporting various events:

- Volunteers supported the Credit Union Cherry Blossom 10 Mile Run and 5K Run-Walk, who along with 19,000 participants raised \$380,000 for Children's Miracle Network Hospitals.
- Staff participated in the Harrisonburg Heart Walk, which raised almost \$22,000 for the American Heart Association.

- We donated \$1,500 in school supplies from our annual school supplies drive for Alexandria City Public Schools.
- We hosted Santa Saturday at our Main branch and a Holiday Craft Day in Harrisonburg.
- JMU students enjoyed an in-branch Finals Break Breakfast.
- We sponsored an "Adopt a Family" program in Alexandria and Harrisonburg during the Holidays and provided volunteer support for Northern Virginia Family Services Healthy Families Holiday Party. We also participated in the Holiday Toy Drive.

## DIGITAL BANKING

A rich digital banking experience – especially on mobile platforms – is a basic expectation of our members. When credit union members evaluate financial institutions, they don't compare financial products as much as they compare experiences. For members today, digital services are delivered through their smartphone, making everything better, faster, and more available. Of course, it also allows unhappy members to switch financial providers with a few taps on their smartphones. So, a rich digital experience is a must to maintain member loyalty.

To stay relevant, and to be an active part of our members' financial lives in 2018, Commonwealth One selected a new digital banking platform – one that incorporates security, adaptability, future customization, and ease of use. We will launch the new service in late summer 2019.

Year after year, we work hard to evaluate our systems and processes to ensure that we are delivering the best products and services through the delivery channels our members want. The payoff for Commonwealth One is that our brand – the position we hold in the minds of our members – is defined as "easy to use," which is exactly the characteristic we strive for, especially in today's financial world with its dizzying combination of choices.

## CHALLENGES

Last year was a good year for income and our balance sheet, both of which painted a financial picture of just how effectively your credit union is being managed, and how strong our financial position is. Both benchmarks are crucial for the continued development of a strong foundation.

However, membership and loan growth showed only a modest increase in 2018 over 2017. Although slow loan growth was not completely unexpected, I would ask each of you to always consider your credit union first when it comes to your savings and loan needs.

Overall, we completed another successful year for Commonwealth One, particularly in the last four years, attaining a profitability level that strengthened our capital position. At 2018 year end, Net Worth to Asset ratio was 10.65%. By keeping our equity stable and strong, we can afford to make the investments we need to achieve our strategic goal for growth and meet our members needs.

Commonwealth One's staff, management team, and board of directors thank you for your loyal membership. We know you have more choices than ever, which motivates us to continue working hard to provide the kind of credit union you can depend on to successfully guide you through the various stages of your financial journey.

# Chairman's Report

Rupert J. Jennings, III, Chairman

Consumers have more choices now than ever before for financial services, including non-bank actors often described as being part of the shadow banking system. To aggressively meet the increasing competition in the financial services space and maintain our ranking as a top-tier financial institution, we developed a number of market-specific plans in 2018.

## Membership Expansion

When you achieve CommonWealth One's level of success as an industry leader, it's natural to think about the benefits of expanding. Growth can provide stronger brand recognition, greater value for members through more products and services, and greater efficiency and economies of scale on the path to our goal of \$500 million by 2020. Implementing these data-driven strategies will increase member engagement and develop an exceptional service experience, allowing us to put members first in every interaction.

In 2018, we focused on increasing the engagement of:

- **Specific Member Segments.** We directly engaged various member demographic segments, including youth, students, and young adults. Specialty segments were targeted as well, such as adults approaching retirement, members' friends and family, and business partnerships.
- **Target Market Product Mix.** We sharpened and expanded our loyalty programs with special offers and incentives to specific membership segments. We also increased ATM access and now offer access to over 80,000 surcharge-free ATMs.
- **The JMU Community.** Investing time and resources in the James Madison University community and its events increases the engagement and loyalty of students, staff, and alumni and, as a result, their use of CommonWealth One's products and services.

## Organizational Engagement

We emphasize organizational engagement and will continue to strengthen a workplace culture that fosters high performance and engagement of our staff by:

- Encouraging active CommonWealth One membership from employees.
- Fostering a culture of engagement and developing a volunteer program that improves and gives back to the communities we serve.
- Cultivating a learning environment.

- Focusing on employee development that increases productivity and retains top talent.
- Promoting employee financial wellness.

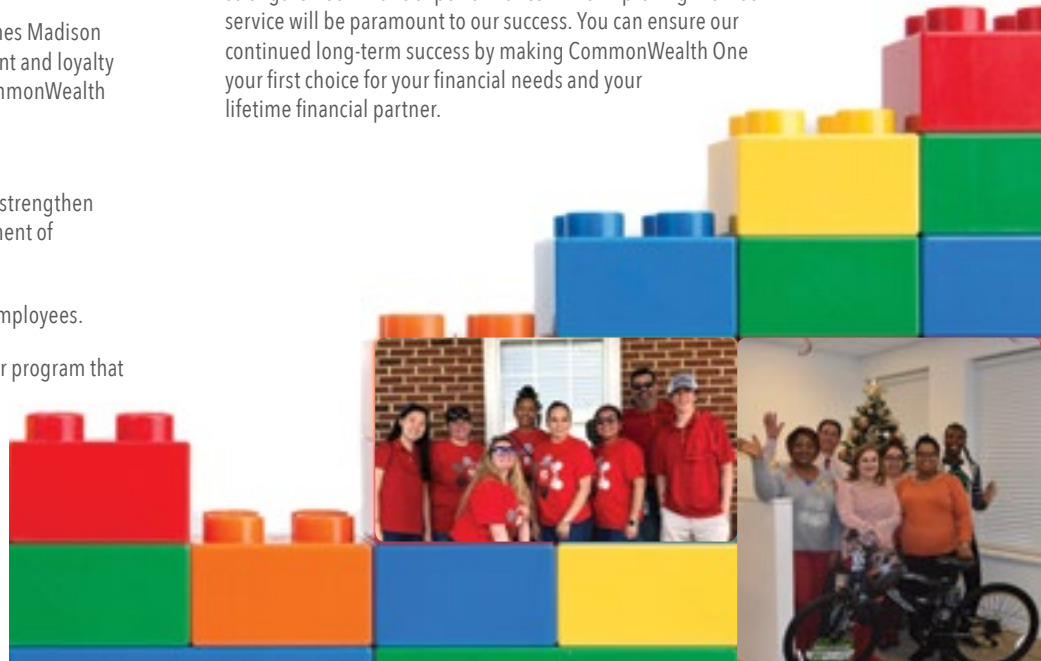
## Profitable Growth

Looking ahead, we will continue to achieve profitable growth by increasing member participation, controlling expenses, and growing the credit union through new member affiliations, deepening relationships, and the introduction of new products. Some of our plans include:

- Implementing various new loan programs and lending relationship plans.
- Focusing on a certificate savings plan that will grow deposits to \$450 million by the end of 2020.
- Deploying a new, state-of-the-art digital banking system to improve ease of use.

Looking ahead to the remainder of 2019 and beyond, the Board of Directors, management, and staff of CommonWealth One pledge our commitment to operational excellence. Together, we will work to implement strategies that provide world-class products and services to address your changing needs, evaluate emerging technologies that improve member service, and expand our involvement in the communities we serve.

Growing our assets, increasing loans, and continuing to strengthen our financial performance while improving member service will be paramount to our success. You can ensure our continued long-term success by making CommonWealth One your first choice for your financial needs and your lifetime financial partner.



## profitable growth

*"We achieve profitable growth by increasing member participation."*

## organizational engagement

*"We build a workplace culture that fosters high performance and engagement of our staff."*



## Statement of Financial Condition

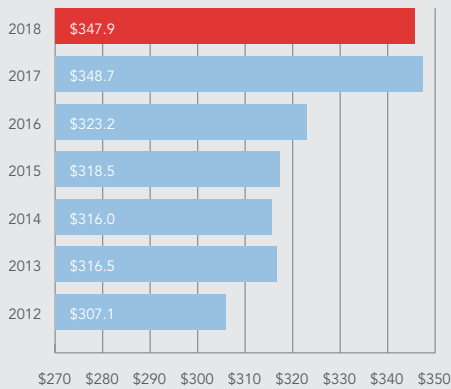
|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Loans to members (net)                                | \$253,483,125        | \$251,682,856        |
| Cash & cash equivalents                               | 4,963,311            | 3,448,230            |
| Investments   | 68,361,919           | 65,923,216           |
| Accrued interest receivable                           | 1,065,185            | 920,874              |
| Property & equipment (net)                            | 4,756,080            | 4,429,487            |
| Other assets & prepaid expenses                       | 15,280,779           | 22,252,771           |
| <b>TOTAL ASSETS</b>                                   | <b>\$347,910,399</b> | <b>\$348,657,434</b> |
| <b>LIABILITY, SHARE ACCOUNTS &amp; EQUITY</b>         |                      |                      |
| Accounts payable & accrued expenses                   | \$1,680,747          | \$1,869,932          |
| Dividend payable                                      | 365,812              | 266,119              |
| Borrowed funds  | -                    | -                    |
| Shares to members                                     |                      |                      |
| Share certificates                                    | 68,557,657           | 65,759,262           |
| Share draft accounts                                  | 64,152,043           | 64,934,588           |
| Other share accounts                                  | 176,705,047          | 181,455,096          |
| <b>TOTAL SHARES OF MEMBERS</b>                        | <b>\$309,414,747</b> | <b>\$312,148,946</b> |
| Members' equity, partially restricted                 |                      |                      |
| Regular reserves                                      | \$3,859,344          | \$3,859,344          |
| Undivided earnings                                    | 33,194,284           | 30,893,497           |
| Accumulated other comprehensive income                | (604,535)            | (380,405)            |
| <b>TOTAL MEMBERS' EQUITY</b>                          | <b>\$36,449,094</b>  | <b>\$34,372,437</b>  |
| <b>TOTAL LIABILITIES, SHARE ACCOUNTS &amp; EQUITY</b> | <b>\$347,910,399</b> | <b>\$348,657,434</b> |

## Statement of Operations

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| <b>INCOME</b>                                |                     |                     |
| Interest on loans                            | \$12,185,908        | \$10,969,178        |
| Interest on investments                      | 1,421,519           | 1,045,823           |
| All other income                             | 5,014,308           | 4,679,043           |
| <b>TOTAL OPERATING INCOME</b>                | <b>\$18,621,735</b> | <b>\$16,694,044</b> |
| <b>OPERATING EXPENSE</b>                     |                     |                     |
| Compensation & employee benefits             | \$6,191,284         | \$5,818,684         |
| Office operations                            | 6,359,533           | 6,271,372           |
| Office occupancy                             | 718,982             | 743,679             |
| Provision for loan losses                    | 1,588,472           | 1,008,230           |
| Interest on borrowed money                   | -                   | -                   |
| <b>TOTAL OPERATING EXPENSE</b>               | <b>\$14,858,271</b> | <b>\$13,841,965</b> |
| Income before dividends on members' shares   | \$3,763,464         | \$2,852,079         |
| Dividends on members' shares                 | 1,584,749           | 1,149,611           |
| Income after payment of dividends            | 2,178,715           | 1,702,468           |
| Other non-operating income                   | 122,074             | 99,224              |
| Net income before NCUSIF stabilization       | 2,300,789           | 1,801,692           |
| NCUSIF stabilization expense                 | -                   | -                   |
| <b>NET INCOME AFTER NCUSIF STABILIZATION</b> | <b>\$2,300,789</b>  | <b>\$1,801,692</b>  |

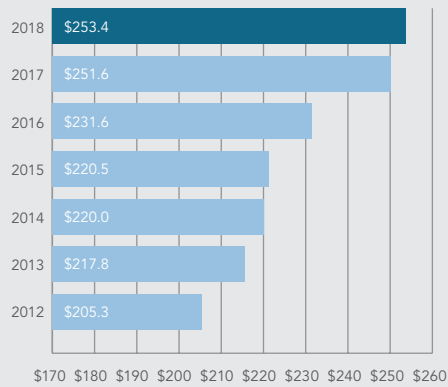
## Assets

Dollars in millions

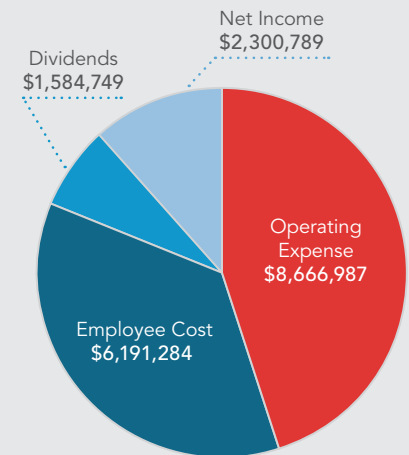


## Net Loans to Members

Dollars in millions



## Distribution of Gross Income



# Treasurer's Report

Dr. William P. Jackameit, Treasurer

In 2018, Commonwealth One maintained its status as a stable and secure financial institution for our members. Its assets remained steady, thus providing our membership with a strong financial cooperative upon which our members can rely.

Members wisely sought the safety and soundness of Commonwealth One's financial services, as evidenced by the following:

- Total assets were essentially unchanged compared to last year, ending at \$347.9 million compared with \$348.7 million in 2017. This minimal change reflects your confidence in Commonwealth One's ability to remain strong in the face of ongoing economic uncertainty and a rising interest rate environment.
- Total member deposits were essentially unchanged as well, ending the year at \$309.4 million versus \$312.1 million in 2017. While many financial institutions struggled to maintain their customer base due to their increased fees and diminishing service, Commonwealth One continued to be used by members as their primary financial institution.
- Total loans at year-end totaled \$253.4 million, a 1%, increase from the previous year. The year-end loans-to-share deposits ratio of 82.21% was up 1.34% from 2017 and is well above that of our peers, indicating that Commonwealth One is meeting the financing needs of its members.
- Net income for the year was a healthy \$2,300,789, which is 27.70% greater than the net income in 2017.
- The ending net worth ratio of 10.65% is an increase from 9.97% at prior year-end; the credit union continues to be well capitalized. We ended the year with a return on the average assets ratio of 0.66%, an increase from 0.54% the prior year, indicating that the credit union earnings have increased despite increases in operating expenses attributed to investments in service enhancements for its members.

Commonwealth One continues to comply with the costs of ever-increasing regulatory requirements and the implementation of advanced technology services which have a direct impact on earnings. The Board of Directors, management, and staff will continue to deploy resources to strengthen our credit union to ensure it meets your future needs. Whether it is with loans or deposits, Commonwealth One is always prepared to serve you and to fulfill our commitment to be "Your Lifetime Financial Partner."

## Lending Report

Commonwealth One is committed to being the ONE lending source for our members by providing the best loan products and services to meet their ever-changing needs. In 2018, we instituted new mortgage, credit card and personal loan products, originating \$65.6 million in loans. Our loan-to-share ratio (determined by the amount of funds we have on deposit versus funds loaned to members) increased from 80.87% in 2017 to 82.21%.

Total loans at year-end were \$254,369,448, an increase of 1% over 2018. Although some loan categories declined compared to 2017, we did experience growth in Signature Loans (\$1.14 million, or 12.81%); new auto loans (\$2.3 million, or 12.94%); and home equity loans (\$1.43 million, or 4%). This growth, in large part, was spurred on by our new Lifestyle Signature Loan and Credit Builder no-credit-check product, which is an alternative to payday loan programs, as well as our Holiday Loan specials. In addition, we were able to supplement our loan growth through a Home Equity Loan Participation purchase.

Commonwealth One continues to remain dedicated to providing unique products that benefit our members during each stage of their life. To build on our foundation, we developed new mortgage programs with no-down-payment options for home buyers. Through Member Advantage Mortgage, our mortgage partner, we also introduced our HomeAdvantage™ program. With HomeAdvantage, members can get assistance with the purchase or sale of a home while saving hundreds to thousands of dollars in the form of a partial rebate of their agent's commission at closing.

In the coming year, we look forward to continuing to partner with our members to focus on their financial well-being through sound lending practices. We will also further empower our dedicated, dynamic team of COFCUers, who are passionate about our core values: Members First, Trust, Excellence, Teamwork, and People Helping People. These values drive our mission to deliver exceptional service experiences by providing members with the tools they need to reach their lifetime financial goals.

## operational excellence

*"An environment which focuses on member needs and ongoing improvements"*

## membership expansion

*"We put members first at every interaction"*

# Supervisory Committee's Report

George McAndrews, Chairman

The Supervisory Committee is appointed by the Board of Directors to safeguard the assets of Commonwealth One Federal Credit Union. To meet this objective, the Committee:

- Arranges for and oversees audits.
- Ensures that federal and state regulations, as well as credit union bylaws, are followed.
- Reviews annual internal audit reports and other documentation.
- Confirms that financial reporting obligations are met.
- Checks internal control policies and procedures.

Our internal auditor, PBMares, LLP, performs internal audits to ensure operations are in accordance with policies and guidelines. Nearman, Maynard, Vallez, CPAs conducted the annual audit of our financial statements for the year ending December 31, 2018. Based on their examination, as well as our own review of the actions of our management and Board of Directors, the Supervisory Committee has determined that Commonwealth One is financially sound and internal controls are operating effectively.

In 2017, the National Credit Union Administration (NCUA) completed an examination of the financial condition of your credit union and our compliance with applicable rules and regulations with an effective date of September 30, 2017. The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2018.

## Board of Directors

Rupert J. Jennings, III, Chairman  
John F. Knight, Vice Chairman  
Mary Summers, Secretary  
Dr. William P. Jackameit, Treasurer  
Dr. Robert G. Darius  
Archie B. Ford  
John D. Hulvey  
Daniel Murray

Lyle C. McLaren, Jr., Director Emeritus

## Executive Team

Charlotte H. Cash, President/CEO  
Larry L. Flory, Chief Information Officer  
Isabel Gomez, Chief Financial Officer  
Karyle Thornton, Chief Marketing Officer  
Belen Topacio, Chief Human Resources Officer

## Supervisory Committee

George McAndrews, Chairman  
Marvin T. Isom  
Ron McCray  
Ben Perchik



THANK YOU FOR YOUR BUSINESS AND MEMBERSHIP.



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