The CREDIT UNION DIFFERENCE



2018 ANNUAL REPORT

the **CREDIT UNION** DIFFERENCE

Veridian Credit Union is a member-owned, not-for-profit financial cooperative. That structure is different from a bank or other for-profit financial institution. At a credit union, earnings are returned to members in the form of better rates and lower fees. Our Board of Directors is democratically elected by our members to serve as unpaid volunteers who make decisions in our members' best interest. That makes a big difference.

CREDIT UNIONS

Member-owned

Not-for-profit

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Earnings returned to members in better rates and lower fees

Self-governed by an unpaid, volunteer **Board of Directors**

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Board members elected by membership vote, one member = one vote



BANKS

Owned by a small group of stockholders

For-profit

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Profits paid to stockholders

.

Led by stockholders who collect the bank's profits

Only stockholders vote, and those with more stock get more votes

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a LETTER from our CEO

As a credit union, Veridian's mission is to partner with our members to create their successful financial futures. We're a member-owned, not-for-profit financial cooperative that returns earnings to members in the form of better rates and lower fees. In fact, our members saved an estimated \$35.8 million in 2018 by using products and services at Veridian compared to what they would have paid at a for-profit bank.

The value members receive from their credit union is also measured and ranked across the industry. Callahan & Associates, a national credit union trade organization, publishes a guarterly report to rank U.S. credit unions by their effectiveness in returning value to members. The Return of the Member Report analyzes credit union performance in three core functions, including savings, lending and product usage. In 2018, Veridian ranked first among nearly 5,500 federally and state-chartered credit unions for four consecutive quarters.

As a member-owned, not-for-profit cooperative, there's no greater compliment than to be recognized for the value we return to our members. This annual report is provided to share the details of that value with a closer look at the work of creating successful financial futures and some of the people who help make it happen.

> "As a member-owned, not-for-profit cooperative, there's no greater compliment than to be recognized for the value we return to our members."





Monte Berg, President and CEO



a WORD from our CHAIR

One of our credit union's greatest achievements in 2018 first began three years earlier. In 2015, the U.S. Treasury certified Veridian Credit Union as a Community Development Financial Institution (CDFI). CDFIs are financial institutions that share a common goal to expand economic opportunities in low-income communities by providing access to financial products and services. To gualify, Veridian met several eligibility requirements. We demonstrated a mission to promote community development, a practice of providing both financial and educational services, accountability to underserved markets and more.

The purpose of Veridian's CDFI certification is to benefit the communities we serve. With it, we gain eligibility to apply for competitive grants from the CDFI Fund. In September, we learned that Veridian would be awarded a CDFI grant of \$1.175 million to help put homeownership within reach for more in our community who might otherwise fall short of that goal.

As a Veridian member and the chair of your volunteer Board of Directors, I couldn't be more proud of our credit union and achievements like our CDFI certification. Thank you for your membership and the opportunities you're helping to create for your fellow members and our communities.

"CDFIs are financial institutions that share a common goal to expand economic opportunity in low-income communities."



Veridian allocated

\$60,000

to match savings in Individual **Development Accounts in 2018.**

Individual Development Accounts (IDAs) are matched savings accounts that enable eligible low-income families to save, build assets and enter the financial mainstream. IDA savers meet savings goals and complete financial education requirements to receive matching funds for asset-building purchases.

"I met a single mother in the financial literacy workshop I was teaching.

Her housing program application had been denied, and she was working to overcome barriers in her credit history to purchase a home for herself and her three daughters. She attended class regularly, worked on paying down debt and opened an Individual Development Account here at Veridian. When her next application was approved, she used the IDA savings and matched funds to pay for the closing costs on her new home. From start to finish, I watched how financial literacy can impact a family's life in the present and future, regardless of their past."

Veridian was awarded a competitive grant from the CDFI Fund for

to help put homeownership within reach for more members of our communities.

million







- LeKeisha Veasley, Community Inclusion Strategist





4,054

Veridian members and employees have signed up to advocate for the credit union difference.



Their work helps raise awareness of credit unions' not-for-profit structure, cooperative ownership, self-governance and more.



The Ann Dolan Award recognizes one Veridian employee in each of Veridian's four market areas annually for outstanding achievement in exceeding members' expectations.

Sarah Corkery



Sarah is recognized for demonstrating Veridian's vision and values in her community. Her work with a local nonprofit organization helped to raise one million dollars for the construction of an inclusive playground in Cedar Falls, Iowa. She shared project milestones along the way and helped co-workers understand the unique needs kids have for a safe place to play. With this project, she provided a great example of our shared values to enrich our community and create an inclusive environment.

Kaylee Cox



While helping a member stop a payment from her account, Kaylee discovered multiple charges that had cleared the member's account in error over several months. A medical supply company was still charging the member for her daughter's medical alert device 10 months after her daughter's passing. Kaylee helped the member stop the recurring payments and get a refund for the payments that had processed, saving her more than \$600.

Veridian employees volunteered an estimated 4,U18 HOURS for organizations, events and

programs that strengthen the communities we share.

To encourage volunteerism, Veridian employees receive 12 hours of Volunteer Time Off (VTO) each year.

This allows employees to earn their regular wage while giving time to community organizations of their choice.

AWARDS and RECOGNITIONS



Forbes

Best Credit Union Waterloo-Cedar Falls Courier

Best Local Credit Union Des Moines Cityview

Best Credit Union to Work For Credit Union Journal

One of the Best Iowa City Press-Citizen

ANN DOLAN AWARD WINNERS





Clint Adams

Branch Manager Western Iowa & Eastern Nebraska Region

Clint met with a member who was visiting his branch to turn in her car for repossession. The car needed costly repairs, and the member didn't have enough money to pay for them upfront. Knowing the member needed that car, Clint found a way to approve her for a small loan with payments she could afford to help cover the cost of the repairs. While he could have simply accepted the voluntary repossession, Clint showed genuine concern and helped the member find a solution.

Emina Seho

Loan Officer Central Iowa Region

A member visited Emina's branch with self-proclaimed worry and embarrassment. She and her husband had lost their jobs. She had been hospitalized, resulting in unexpected medical expenses. Her visit that day was to make a loan payment, but she was concerned about her ability to make future payments. Emina dug into the member's account, found payment protections and was able to protect the account for a minimum of three months while the member got back on her feet.

Best In State Credit Union

Top Iowa Workplace The Des Moines Register

Best Credit Union Des Moines Business Record

Employer of Choice Waterloo-Cedar Falls Courier

Coolest Place to Work Corridor Business Journal

Best in Auto Financing Omaha Magazine



a WORD from our TREASURER

As your treasurer, it's my duty to ensure our credit union maintains unquestionable financial security. Our mission to create successful financial futures is sustained and made available to more of our neighbors when we meet our cooperative financial targets.

I'm pleased to report to you, my fellow member-owners, that Veridian's financial security grew even stronger in 2018. Deposits and assets grew by 12.75% and 16.50%, respectively. Our capital-to-assets ratio, an indicator of our underlying strength, reached 9.57%. We aim for a rate between 9% and 10%, which provides us enough flexibility to meet unforeseen challenges while putting our assets to work for you. Our expense ratio also fell to 2.62%.

As Monte noted in the CEO report, Veridian spent all four quarters of 2018 at the top of a national survey that ranks U.S. credit unions according to the value they return to members. This shows that the financial security of our credit union is helping to create successful financial futures for our members. In fact, members saved an estimated \$35.8 million by using products and services at Veridian compared to what they would have paid at a for-profit bank.

Thank you for your membership and for your contributions to our shared success in 2018.

"The financial security of our credit union is helping to create successful financial futures for our members."



COMMITTEE REPORTS

AUDIT

This committee helps ensure that Veridian's financial condition is accurately represented and its assets are protected.

Committee Chair Bill Boevers

Committee Members

Thomas DeLong Gaylen D. Witzel

Accomplishments

- Veridian was audited by three external agencies: RSM US LLP, the Iowa Credit Union Division and the National Credit Union Administration. Results from all audits were shared with the Audit Committee and Veridian's Board of Directors.
- Reviewed and approved the annual risk-based internal audit plan.
- Reviewed reports presented by the Internal Audit Department and Compliance Department.

MEMBERS SAVED AN ESTIMATED \$35,830,325

in 2018 by using loan and deposit products at Veridian instead of at a for-profit bank.



Veridian's mission is to partner with our members to create SUCCESSFUL FINANCIAL FUTURES.

CREDIT

This committee monitors lending policies and approves new loan products and services, ensuring Veridian is always responding to the changing needs of our growing membership.

Committee Chair Pam Ayres

Committee Members

Cynthia Buettner Paul Gengler Bob Kressig Justine Peebles

Accomplishments

- Total loans grew over 20%.
- Indirect Lending originated \$750 million in auto loans, a new record.
- Commercial Lending experienced record growth, ending the year with over \$400 million outstanding.
- Mortgage lending set a new record with 19% growth.



FINANCIAL STATEMENTS

Consolidated Statements of Financial Condition

Years Ended December 31, 2018 & 2017

| | 2018 | 2017 |
|---|-----------------|-----------------|
| Assets | | |
| Cash and cash equivalents | \$ 76,410,876 | \$ 70,198,369 |
| Certificates of deposit | 16,244,010 | 48,417,555 |
| Investment securities available for sale | 134,482,275 | 184,120,653 |
| Loans held for sale | 6,398,614 | 7,292,526 |
| Loans receivable, net of allowance for loan losses | 3,767,958,589 | 3,123,298,651 |
| Accrued interest receivable | 10,527,816 | 9,333,422 |
| Property and equipment | | |
| Land and land improvements | 14,792,781 | 10,281,495 |
| Buildings and improvements | 60,951,814 | 56,449,565 |
| Furniture and equipment | 27,777,174 | 27,231,172 |
| Total property and equipment | 103,521,769 | 93,962,232 |
| Less accumulated depreciation | 34,568,156 | 33,084,533 |
| Net property and equipment | 68,953,613 | 60,877,699 |
| National Credit Union Share Insurance Fund (NCUSIF) deposit | 27,978,225 | 25,735,772 |
| Other assets | 36,496,835 | 28,848,454 |
| Total assets | \$4,145,450,853 | \$3,558,123,101 |

| | 2018 | 2017 |
|--|-----------------|-----------------|
| Liabilities | | |
| Members' shares | 3,438,564,613 | 3,049,694,648 |
| Accrued interest payable | 14,996 | 5,397,614 |
| Borrowed funds | 259,231,873 | 101,650,000 |
| Accrued expenses and other liabilities | 50,919,754 | 56,806,927 |
| Total liabilities | 3,748,731,236 | 3,213,549,189 |
| Members' equity | | |
| Appropriated | 371,881,656 | 329,354,827 |
| Unappropriated | 30,496,976 | 22,395,274 |
| Accumulated other comprehensive (loss) | (5,659,015) | (7,176,189) |
| Total members' equity | 396,719,617 | 344,573,912 |
| Total liabilities and members' equity | \$4,145,450,853 | \$3,558,123,101 |

Consolidated Statements of Income

Years Ended December 31, 2018 & 2017

| | 2018 | 2017 |
|---|----------------|----------------|
| Interest income | | |
| Interest and fees on loans | \$ 144,198,377 | \$ 112,512,165 |
| Interest on investment securities | 3,481,826 | 3,944,028 |
| Interest on certificates of deposit and other investments | 1,709,960 | 1,690,403 |
| Total interest income | 149,390,163 | 118,146,596 |
| Interest expense | | |
| Members' shares | 34,455,884 | 24,201,038 |
| Borrowed funds | 4,664,815 | 940,417 |
| Total interest expense | 39,120,699 | 25,141,455 |
| Net interest income | 110,269,464 | 93,005,141 |
| Provision for loan losses | 15,529,127 | 11,910,714 |
| Net interest income after provision for loan losses | 94,740,337 | 81,094,427 |
| Other income | | |
| Service charges | 22,167,109 | 17,988,001 |
| Credit card interchange fees | 22,102,076 | 20,208,528 |
| Other income | 12,366,516 | 10,115,322 |
| Total other income | 56,635,701 | 48,311,851 |
| Operating expenses | | |
| Salaries and employee benefits | 59,723,330 | 54,763,176 |
| Other operating expenses | 41,024,177 | 37,144,794 |
| Total operating expenses | 100,747,507 | 91,907,970 |
| Net income | 50,628,531 | 37,498,308 |

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2018 & 2017

Net income

Other comprehensive income (loss):

Unrealized gains (losses) on securities available for sale: Unrealized holding (losses) arising during the year Less reclassification adjustment for (gains) included in net Post-retirement benefit obligation

Other comprehensive gain (loss)

Comprehensive income

erence

| | 2018 | 2017 |
|--------|------------------|------------------|
| | \$ 50,628,531 | \$ 37,498,308 |
| | | |
| | | |
| | (1,749,920) | (17,804) |
| income | (167,854) | (282,318) |
| | 3,434,948 | (1,060,387) |
| | 1,517,174 | (1,360,509) |
| | 52,145,705 | 36,137,799 |



FINANCIAL STATEMENTS

Consolidated Statements of Changes in Members' Equity

Years Ended December 31, 2018 & 2017

| | Appropriated | | Unappropriated | | | |
|--|----------------------------------|--------------------|----------------|-----------------------|--|----------------|
| | Legal reserve for loan losses | Capital reserve | Total | Undivided earnings | Accumulated other comprehensive (loss), income | Total |
| Balance, December 31, 2016 Comprehensive income | \$ 97,618,577 | \$ 207,043,406 | \$ 304,661,983 | \$ 9,589,810 | \$ (5,815,680) | \$ 308,436,113 |
| Net income | - | - | - | 37,498,308 | - | 37,498,308 |
| Other comprehensive loss | - | _ | - | - | (1,360,509) | (1,360,509) |
| Transfers, net | 15,131,830 | 9,561,014 | 24,692,844 | (24,692,844) | - | - |
| Balance, December 31, 2017 | 112,750,407 | 216,604,420 | 329,354,827 | 22,395,274 | (7,176,189) | 344,573,912 |
| Comprehensive income Net income | - | _ | _ | 50,628,531 | - | 50,628,531 |
| Other comprehensive income | - | - | - | - | 1,517,174 | 1,517,174 |
| Transfers, net | 20,160,351 | 22,366,478 | 42,526,829 | (42,526,829) | - | _ |
| Balance, December 31, 2018 | \$132,910,758 | \$238,970,898 | \$371,881,656 | \$ 30,496,976 | \$ (5,659,015) | \$ 396,719,617 |

Veridian funded grants, scholarships, sponsorships, donations and more totaling approximately



in 2018 to help strengthen the communities we serve.

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 & 2017

| Cas | n flows from operating activities |
|-------|---|
| Net | income |
| Adju | stments to reconcile net income to net cash provided |
| Dep | reciation |
| Prov | ision for loan losses |
| Proc | eeds from sale of loans sold |
| 0 | inations of loans held for sale |
| Gain | s from the sale of loans |
| Net | gains on sales of available for sale investment securi |
| | on sale of property and equipment |
| Net | amortization of premiums on available for sale inves |
| Net | change in: |
| Accr | ued interest receivable |
| | er assets |
| | ued interest payable |
| | ued expenses and other liabilities |
| Net | cash provided by operating activities |
| Cas | n flows from investing activities |
| Proc | eeds from maturities of certificates of deposit |
| | nase of certificates of deposit |
| | eeds from sales of investment securities available fo |
| | nase of investment securities available for sale |
| | eeds from maturities of investment securities availab |
| | hase of Federal Home Loan Bank stock |
| | eeds from sale of Federal Home Loan Bank stock |
| | change in loans receivable nases of property and equipment |
| | eeds from sale of property and equipment |
| | increase in National Credit Union Share Insurance Fu |
| | cash used in investing activities |
| | |
| | n flows from financing activities |
| | eeds from borrowed funds increase in members' shares |
| | cash provided by financing activities |
| | |
| | ease (decrease) in cash and cash equivalents |
| | and cash equivalents at beginning of year |
| | and cash equivalents at end of year |
| Sup | olemental disclosures of cash flow information, c |
| | est paid to members |
| | est paid on borrowed funds |
| Sup | plemental schedule of noncash investment a |
| | nge in accumulated other comprehensive inc |
| Unre | alized gains (losses) on securities available for sale, |
| | retirement benefit obligation |
| Trans | sfers from loans to foreclosed real estate |

| | 2018 | 2017 |
|-------------------------|---------------|---------------|
| | | |
| | \$ 50,628,531 | \$ 37,498,308 |
| y operating activities: | | |
| J J | 4,340,002 | 3,934,036 |
| | 15,529,127 | 11,910,714 |
| | 284,474,856 | 226,037,712 |
| | (283,236,147) | (228,604,254) |
| | (344,797) | (888) |
| ies | (167,854) | (282,318) |
| | 15,893 | 26,641 |
| ment securities | 1,125,422 | 2,043,020 |
| | | |
| | (1,194,394) | (1,750,288) |
| | (797,581) | (5,630,753) |
| | (5,382,618) | 955,768 |
| | (2,452,225) | 14,155,690 |
| | 62,538,215 | 60,293,388 |
| | | |
| | 32,173,173 | 49,271,907 |
| | - | (3,434,000) |
| sale | 21,240,948 | 67,619,521 |
| | (3,696,415) | (40,264,285) |
| e for sale | 29,218,875 | 62,112,732 |
| | (41,928,028) | (32,354,700) |
| | 35,077,228 | 28,110,000 |
| | (660,189,065) | (609,881,119) |
| | (12,475,859) | (14,387,914) |
| | 44,050 | 34,255 |
| nd deposit | (2,242,453) | (2,131,212) |
| | (602,777,546) | (495,304,815) |
| | | |
| | 157,581,873 | 101,650,000 |
| | 388,869,965 | 302,265,337 |
| | 546,451,838 | 403,915,337 |
| | 6,212,507 | (31,096,090) |
| | 70,198,369 | 101,294,459 |
| | 76,410,876 | 70,198,369 |
| ash payments for: | | |
| | 39,838,502 | 23,245,270 |
| | 4,664,815 | 940,417 |
| nd financing activities | s: | |
| ome: | | |
| net | (1,917,774) | (300,122) |
| | 3,434,948 | (1,060,387) |
| | 595,236 | 1,142,219 |
| | | |



our **BOARD** of **DIRECTORS**



COMMITTEES

Credit (Chair) Nominating (Chair)



Bill **Boevers**

COMMITTEES Audit (Chair) Nominating



Cynthia Buettner

COMMITTEES Board Governance Credit



Thomas DeLong

COMMITTEES Audit

Traci

McBee

COMMITTEES

Board Governance

Creston L.

COMMITTEES

Executive (Treasurer)

Van Wey

Strategic Planning (Chair)



Paul Gengler COMMITTEES Credit Strategic Planning



Justine Peebles

COMMITTEES

Credit (Secretary) Strategic Planning The Veridian Group Board



Nick Waters

COMMITTEES Executive (Chair) Strategic Planning





Ginger Shirley COMMITTEES

James

Kacher

COMMITTEES

Executive (2nd Vice Chair) Strategic Planning

Board Governance Executive (Secretary)



Gaylen D. Witzel

COMMITTEES Audit (Secretary) Board Governance



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difference

Elizabeth Caven

COMMITTEES Executive (1st Vice Chair)



Bob **Kressig**

COMMITTEES

Credit Political Involvement



Denny Skelton

COMMITTEES

Board Governance (Chair Nominating The Veridian Group Board







This credit union is federally insured by the National Credit Union Administration.