



2019

ANNUAL REPORT



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α LETTER from our CEO

In 2019, Veridian marked 85 years since our founders, a handful of John Deere employees, first pooled their money to offer each other and their co-workers an alternative to commercial banks and other for-profit financial institutions. Their purpose in 1934 was simple – offer shared ownership in financial services. And that’s still our purpose today. Our founders understood that when we all share ownership in the financial services we use, savings and positive economic impact are inevitable. In fact, Veridian members saved an estimated \$18 million in 2019 on better rates and lower fees compared to what they would have paid for the same products and services at a for-profit bank. That’s why we’re consistently ranked among the top financial institutions in the United States for returning value to our members.

While our not-for-profit, cooperative structure is the same, there have been many technological advances in the financial services industry in the last 85 years. As your trusted financial partner, you rely on Veridian to keep pace with that technology. In 2019, we completed one of the largest and most complex projects in our credit union’s history with our system upgrade. Employees across the credit union prepared for months, some for more than a year, to ensure a successful upgrade. Thanks to their effort, your credit union is better equipped to serve you for decades to come.

The following pages of this annual report highlight our shared milestones and achievements of 2019, including millions of dollars in member savings, an upgraded system, a growing branch network and diverse investments in our communities. In 2019, total loans grew 4.5% and deposits grew 6.52%. It was a record year for our mortgage team with over \$786 million in mortgage loan originations, a 32.83% increase over 2018. These are the results of our cooperative ownership in action. Thank you for your membership and for helping to create successful financial futures for your fellow members.



“Our founders understood that when we all share ownership in the financial services we use, savings and positive economic impact are inevitable.”

Monte Berg, President and CEO

a WORD from our Board CHAIR

As a member-owned, not-for-profit financial cooperative, we democratically elect our fellow members to serve as unpaid volunteers on Veridian's Board of Directors. This is to ensure decisions at the highest level of our credit union are made in your best interest. On behalf of our entire board, it's an honor to be entrusted with this responsibility. Our duty to you is central to every decision we make.

For example, we're committed to making your credit union available in every way you need it. The importance of keeping up with the rapid pace of technology in the financial services industry can't be overstated. As your fellow members, we also understand the importance of brick-and-mortar branches in our communities. While technology can improve convenience, security and efficiency, branches allow for face-to-face interactions and not-for-profit guidance on life's most complex financial topics. In 2019, we invested in both technology and our growing branch network. We opened Veridian's 31st branch in Waukee in March. And after more than a year of preparation, we completed a successful system upgrade in September.

I'm grateful to be part of a financial institution that prioritizes the interests of our members. Thank you for entrusting a board of your fellow members to govern it on your behalf and for your contributions to our shared success in 2019.

**"Our duty to you
is central to every
decision we make."**



Nick Waters, Board Chair



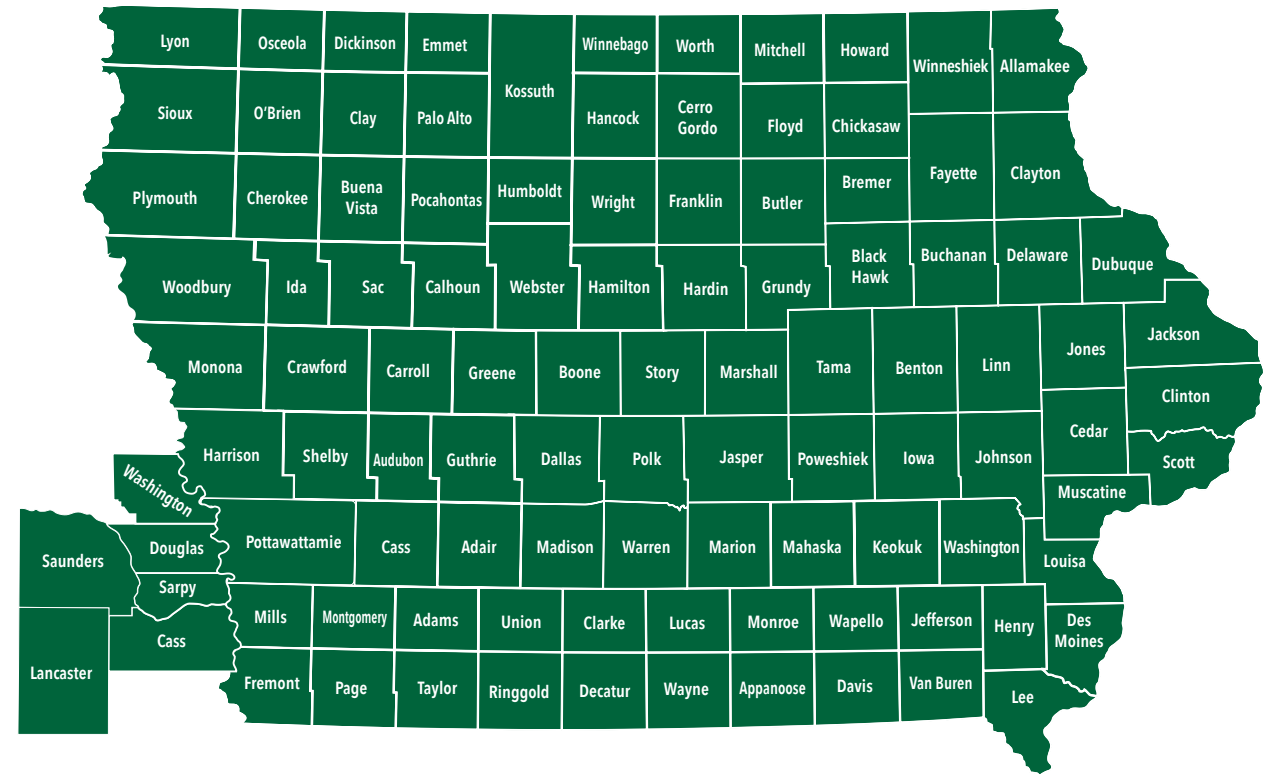
Veridian is a not-for-profit financial cooperative owned by the

240,554 MEMBERS

who use our products and services.

FIELD of MEMBERSHIP

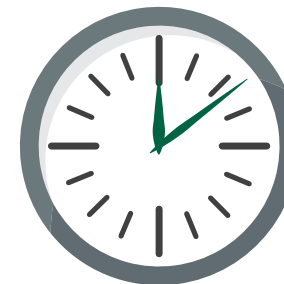
Veridian's geographic field of membership includes the state of Iowa and six counties in eastern Nebraska.



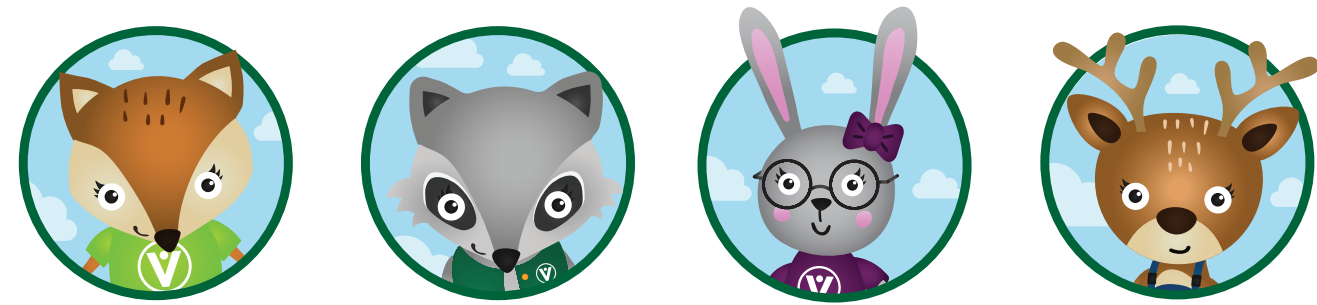
Veridian
employees
volunteered
an estimated

6,112 HOURS

for organizations, events
and programs that strengthen
our communities.



NEW in 2019



Penny's
Adventures

In February, we introduced a new youth program to help our youngest members learn about creating healthy savings habits and other financial topics. Penny's Adventures includes stories, coloring sheets, craft ideas and other resources at veridiancu.org/youth.

CREDIT CENTRAL

In June, we added Credit Central within online and mobile banking to give members free direct access to their credit score, credit report and credit monitoring. Credit Central also offers personalized suggestions for improving financial wellness.



ANN DOLAN AWARD WINNERS

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



Brandon Leonard
Loan Officer
Northeast Iowa Region

While helping a member with a personal loan, Brandon learned the member was requesting the loan to help her parents pay off debt. With her permission, he called her parents to review their options. Her parents were on a fixed income. Her father was paralyzed, and her mother was his primary caretaker. Brandon was able to approve them for a loan that reduced their monthly payments by \$300 every month and put them on track to pay off their debt in five years. He even drove from his branch to their home for the signing.



Diana Olivas
Loan Officer
Central Iowa Region

Diana received a call from a distraught member whose vehicle had been repossessed. After several conversations with the member, Veridian's Account Resolutions team and the repossession company, Diana confirmed the repossession order did not come from Veridian, but another financial institution in the area. Diana found that the repossession order was due to fraud of the previous owner, not the member. She was able to have the repossession order lifted and the vehicle returned to the member within the same day.



Chaz Herman
Loan Interviewer
East Central Iowa Region

Chaz recently prevented a member from being scammed by someone claiming to be a lawyer. The member showed Chaz multiple texts and calls that appeared to come from a law office demanding immediate payment to assist the member's family with an immigration issue. Chaz notified Veridian's Loss Prevention team and verified the contact to be a scam. Chaz blocked the member's cards to prevent fraudulent withdrawals and referred the member to a local immigration service that would assist him and his family with finding legitimate legal services.



Alex Ablan
Loan Officer
Western Region

A couple visited Alex's branch hoping Veridian could help with consolidating their debt. They were both in their 70s and wanted to retire soon, but high interest rates on substantial credit card debt kept them working. At first glance, they didn't qualify for a loan. But Alex worked to find a way. When they were approved, their \$1,500 monthly minimum payments dropped to \$500 with a plan to pay off the debt in four years. This made their retirement achievable. "We were ready to die with this debt," they told Alex. "You have no idea what you've done for us."

AWARDS and RECOGNITIONS

Best Credit Union (3rd)
Corridor Business Journal
Best of the Corridor

Employer of Choice
Waterloo-Cedar Falls Courier

Best Local Credit Union
Des Moines Cityview
Best of Des Moines

Top Iowa Workplace (2nd)
Des Moines Register

Best Credit Union
Des Moines Business Record
Best of Des Moines

Business Supporter of the Year
The Arc of East Central Iowa

Best Credit Union to Work For (7th)
Credit Union Journal

Best Credit Union
Waterloo-Cedar Falls Courier
Best of the Best

Best Credit Union (3rd)
Omaha Magazine
Best of Omaha

Best Auto Financing (2nd)
Omaha Magazine
Best of Omaha

One of the Best Banks or Credit Unions
Iowa City Press Citizen
Best of the Area

Best Bank or Credit Union (2nd)
Des Moines Register
Metro's Best



Veridian is a not-for-profit financial cooperative owned by each of us, the more than 240,000 members who use our credit union's products and services. As your treasurer and fellow member, it's my duty and privilege to ensure our credit union maintains unquestionable financial security.

I'm pleased to report that Veridian's financial security remained strong in 2019. Deposits and assets grew by 6.52% and 4.89%, respectively. Our capital-to-assets ratio, an indicator of our financial strength, reached 10.35%. This level provides us enough flexibility to meet unforeseen challenges, such as economic downturns or declining market conditions, while continuing to put the credit union's assets to work for your benefit.

While meeting our shared financial targets, we also reached significant achievements in member savings and community investments in 2019. Our members saved an estimated \$18 million on better rates and lower fees compared to what they would have paid for the same products and services at a for-profit bank. Together, we funded \$1.4 million in grants, scholarships, sponsorships and donations. And Veridian employees and directors gave an estimated 6,112 volunteer hours in the communities we serve.

In 2019, our credit union not only remained financially secure, we ensured that many people and communities benefited from its strength. Thank you for your membership and for your contributions toward ensuring successful financial futures for your fellow members and our communities. It takes us all cooperatively sharing in each other's financial success to maintain and sustain Veridian's mission.

"In 2019, our credit union not only remained financially secure, we ensured that many benefited from its strength."



Cynthia Buettner

Cynthia Buettner, Board Treasurer



Members saved an estimated

\$17,913,642

in 2019 by using loan and deposit products at Veridian instead of a for-profit bank.

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

Gaylen Witzel
Tom Delong

Audit Committee Responsibilities:

- Annual review of specific board policies.
- Annual review of independent audit and exam reports.
- Review of suspicious activity reporting.
- Review and approval of annual internal audit plan.
- Review of internal audit reports.

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

Ginger Shirley

Committee Members

Paul Gengler
Stephanie Atkin
Bob Kressig
Creston Van Wey

Credit Committee Responsibilities:

- Annual review of specific board policies.
- Review and approval of loan officer lending limits.
- Approve new lending products and services.
- Approve loans outside approval authority of loan officers.

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

FINANCIAL STATEMENTS

Consolidated Statements of Financial Condition

Years Ended December 31, 2019 & 2018

	2019	2018
Assets		
Cash and cash equivalents	\$115,194,287	\$76,410,876
Certificates of deposit	29,753,010	16,244,010
Debt securities available for sale	73,482,862	115,452,717
Equity securities	21,473,265	19,029,558
Loans held for sale, net	27,694,058	6,398,614
Loans receivable	3,934,296,740	3,767,958,589
Accrued interest receivable	10,224,701	10,527,816
Property and equipment		
Land and land improvements	15,711,496	14,792,781
Buildings and improvements	59,959,003	60,951,814
Furniture and equipment	32,652,320	27,777,174
Total property and equipment	108,322,819	103,521,769
Less accumulated depreciation	37,518,444	34,568,156
Net property and equipment	70,804,375	68,953,613
National Credit Union Share Insurance Fund (NCUSIF) deposit	30,931,756	27,978,225
Other assets	34,395,942	36,496,835
Total assets	\$4,348,250,996	\$4,145,450,853

	2019	2018
Liabilities		
Members' shares	3,662,689,467	3,438,564,613
Accrued interest payable	13,409	14,996
Borrowed funds	178,905,678	259,231,873
Accrued expenses and other liabilities	56,634,058	50,919,754
Total liabilities	3,898,242,612	3,748,731,236
Members' equity		
Appropriated	425,564,818	371,881,656
Unappropriated	30,851,354	30,496,976
Accumulated other comprehensive (loss)	(6,407,788)	(5,659,015)
Total members' equity	450,008,384	396,719,617
Total liabilities and members' equity	\$4,348,250,996	\$4,145,450,853

Consolidated Statements of Income

Years Ended December 31, 2019 & 2018

	2019	2018
Interest income		
Interest and fees on loans	\$169,764,464	\$144,198,377
Interest on investment securities	2,636,978	3,481,826
Interest on certificates of deposit and other investments	2,467,555	1,709,960
Total interest income	174,868,997	149,390,163
Interest expense		
Members' shares	49,362,598	34,455,884
Borrowed funds	5,579,168	4,664,815
Total interest expense	54,941,766	39,120,699
Net interest income	119,927,231	110,269,464
Provision for loan losses	15,864,105	15,529,127
Net interest income after provision for loan losses	104,063,126	94,740,337
Noninterest income		
Service charges	27,069,461	22,167,109
Insurance commissions	3,489,048	3,492,778
Credit card interchange fees	23,831,955	22,102,076
Gains from the sale of loans	194,484	344,797
Realized losses on sales of debt securities, net	(13,906)	(73,742)
Realized gains on sales of equity securities, net	219,962	241,596
Unrealized gains on equity securities, net	1,644,193	-
Other service charges and fees	8,240,281	8,361,087
Total noninterest income	64,675,478	56,635,701
Noninterest expenses		
Salaries and employee benefits	68,365,422	59,723,330
Occupancy	7,398,325	6,261,420
Furniture and fixtures	5,126,088	4,373,203
Advertising and promotion	3,775,494	3,320,195
Supplies and postage	2,231,003	1,711,056
Data processing	6,110,801	5,220,122
Loss on sale of property and equipment	20,609	15,893
Other	21,105,772	20,122,288
Total noninterest expenses	114,133,514	100,747,507
Net income	\$54,605,090	\$50,628,531

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2019 & 2018

	2019	2018
Net income	\$54,605,090	\$50,628,531
Other comprehensive income (loss):		
Unrealized gains (losses) on debt securities available for sale:		
Unrealized holding gains (losses) arising during the year	1,862,358	(1,749,920)
Less reclassification adjustment for (gains) losses included in net income	13,906	(167,854)
Post-retirement benefit obligation	(3,192,587)	3,434,948
Other comprehensive income (loss)	(1,316,323)	1,517,174
Comprehensive income	\$53,288,767	\$52,145,705

FINANCIAL STATEMENTS

Consolidated Statements of Changes in Members' Equity

Years Ended December 31, 2019, 2018 and 2017

	Appropriated			Unappropriated		
	Legal reserve for loan losses	Capital reserve	Total	Undivided earnings	Accumulated other comprehensive (loss), income	Total
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 (loss)	—	—	—	—	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
Comprehensive income						
Cumulative effect of adopting ASU 2016-01	—	—	—	(567,550)	567,550	—
Net income	—	—	—	54,605,090	—	54,605,090
Other comprehensive loss	—	—	—	—	(1,316,323)	(1,316,323)
Transfers, net	23,214,981	30,468,181	53,683,162	(53,683,162)	—	—
Balance, December 31, 2019	\$156,125,739	\$269,439,079	\$425,564,818	\$30,851,354	(\$6,407,788)	\$450,008,384

Consolidated Statements of Cash Flows

Years Ended December 31, 2019 & 2018

	2019	2018
Cash flows from operating activities		
Net income	\$54,605,090	\$50,628,531
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,738,889	4,340,002
Provision for loan losses	15,864,105	15,529,127
Proceeds from sale of loans sold	575,858,159	284,474,856
Originations of loans held for sale	(596,959,119)	(283,236,147)
Gains from the sale of loans	(194,484)	(344,797)
Realized losses on sales of debt securities, net	13,906	73,742
Realized gains on sales of equity securities, net	(219,962)	(241,596)
Unrealized gains on equity securities, net	(1,644,193)	—
Loss on sale of property and equipment	20,608	15,893
Net amortization of premiums on investment securities available for sale	682,605	1,125,422

Net change in		
Accrued interest receivable	303,115	(1,194,394)
Other assets	(407,307)	(797,581)
Accrued interest payable	(1,587)	(5,382,618)
Accrued expenses and other liabilities	2,521,717	(2,452,225)
Net cash provided by operating activities	55,181,542	62,538,215
Cash flows from investing activities		
Proceeds from maturities of certificates of deposit	7,443,000	32,173,173
Purchase of certificates of deposit	(20,952,000)	—
Proceeds from sales of investment securities available for sale	13,420,737	21,240,948
Purchase of investment securities available for sale	(13,284,760)	(3,696,415)
Proceeds from maturities of investment securities available for sale	43,013,629	29,218,875
Purchase of equity securities	(1,971,927)	—
Proceeds from sales of equity securities	1,392,377	—
Purchase of Federal Home Loan Bank stock	(27,851,300)	(41,928,028)
Proceeds from sale of Federal Home Loan Bank stock	30,359,500	35,077,228
Net change in loans receivable	(182,202,256)	(660,189,065)
Purchases of property and equipment	(6,651,169)	(12,475,859)
Proceeds from sale of property and equipment	40,910	44,050
Net increase in National Credit Union Share Insurance Fund deposit	(2,953,531)	(2,242,453)
Net cash used in investing activities	(160,196,790)	(602,777,546)
Cash flows from financing activities		
Proceeds from borrowed funds	1,187,306,662	982,331,039
Payments to borrowed funds	(1,267,632,857)	(824,749,166)
Net increase in members' shares	224,124,854	388,869,965
Net cash provided by financing activities	143,798,659	546,451,838
Increase in cash and cash equivalents	38,783,411	6,212,507
Cash and cash equivalents at beginning of year	76,410,876	70,198,369
Cash and cash equivalents at end of year	115,194,287	76,410,876

Supplemental disclosures of cash flow information, cash payments for		
Interest paid to members	49,364,219	39,838,502
Interest paid on borrowed funds	5,579,168	4,664,815

Supplemental schedule of noncash investment and financing activities		
Change in accumulated other comprehensive (loss):		
Unrealized gains (losses) on securities available for sale, net	1,876,264	(1,917,774)
Post-retirement benefit obligation	(3,192,587)	3,434,948
Transfers from loans to foreclosed real estate	869,445	595,236



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

\$1.4 MILLION

in 2019 to help strengthen the communities we serve.

our **BOARD** of DIRECTORS

**Stephanie
Atkin**

COMMITTEES
Board Governance
Credit



**Pam
Ayres**

COMMITTEES
Executive (2nd Vice Chair)
Strategic Planning



**Bill
Boevers**

COMMITTEES
Audit (Chair)
Nominating (Chair)



**Cynthia
Buettner**

COMMITTEES
Executive (Treasurer)
Nominating



**Thomas
DeLong**

COMMITTEES
Audit
Board Governance



**Paul
Gengler**

COMMITTEES
Credit (Secretary)
Nominating



**James
Kacher**

COMMITTEES
Strategic Planning (Chair)



**Bob
Kressig**

COMMITTEES
Credit
Political Involvement



**Traci
McBee**

COMMITTEES
Executive (Secretary)
Board Governance (Chair)



**Justine
Peebles**

COMMITTEES
Board Governance
The Veridian Group Board



**Ginger
Shirley**

COMMITTEES
Credit (Chair)
Strategic Planning



**Denny
Skelton**

COMMITTEES
Board Governance
The Veridian Group Board



**Creston L.
Van Wey**

COMMITTEES
Executive (1st Vice Chair)
Credit



**Nick
Waters**

COMMITTEES
Executive (Chair)
Strategic Planning



**Gaylen D.
Witzel**

COMMITTEES
Strategic Planning
Audit (Secretary)





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