



# ANNUAL REPORT 2020



Meeting held online via Zoom  
August 4th, 2020 at 9 a.m.

Due to the guidelines during the Covid pandemic Centricity's Annual Meeting was held online Via Zoom.

There was a total attendance of 29 members and guests. Chairperson Margaret Taylor called meeting to order at 9:01 A.M. There was a proof of notice for the annual meeting posted January in the January 2020 newsletter, Hermantown Star, also the revised date emailed 30 days prior to the meeting, mailed in July newsletter, and posted on online channels. A motion was made to dispense the reading of the minutes from last year's meeting. Motion was made, seconded, and carried.

The President/CEO Report was given by Chief Executive Officer Doug Ralston. The report discusses information on strategically where we are as a Credit Union and where we are going. Since the beginning, Centricity has strived to be a trusted resource for our members in achieving a brighter financial future, while pursuing our member's dreams. We believe our job is doing the right things for the right reasons on behalf of our collected membership. Centricity was founded to support hardworking men, women and families within our field of membership. We work hard to help the communities in a variety of projects that create meaningful impacts, supporting schools, small businesses, and non-profits. We believe strong, collaborative organizations have solid earnings, strong capital and controlled asset growth. We believe memberships within our Credit Union comes with a sense of responsibility to the collaborative as well. We pursue "Best Practices Philosophy" and apply a factual and innovative approach to our decision making. We recognize and understand the importance of equitable pricing products and underwriting, all while understanding the need to tailor to the individual uniqueness of our members in the communities we serve. We embrace a philosophy of building real relationships, exceeding expectations with each interaction, embracing technology, and we work hard to provide solutions "for you when life happens".

In 2019, it was a challenging yet rewarding year for the Credit Union. Initiatives included implementing new and interactive technology solutions for our members, building out new savings and lending programs, and implementing company-wide service training. We were also able to add staff in almost all departments of the Credit Union. We saw membership growth, an increase in shares, consumer loans and assets. CEO Ralston continues his report with looking to the future for Centricity with its focus on efforts in these key metrics: Profitable business growth in the terms of member engagement and a well-managed balance sheet; A return on member equity (return on equity is simply a measure of the Credit Unions value to its members); A commitment to differentiate from the competition through interactive technology (personable interactions); and wanting to be more of a resource rather than just a transaction. With this, a feedback satisfaction rating system will be engaged to measure our responses in providing solutions, building relationships and exceeding expectations. Another focus point would be high employment engagement and retention. CEO Ralston ends his report with looking forward to the challenges and rewards of the future, stating we will follow this road map, knowing that along the way changes will need to be made. Those changes and adjustments will be well thought out and rolled out in a collaborative matter. CEO Ralston thanks everyone for their support. Motion was made, seconded and carried for the President/CEO Doug Ralston's Report.

The Chair Report was given by Chair of the Board Margaret Taylor. The report was available for reading and/or to hear during the meeting. The Chair Report included a summary of what has happened over the

past year, including multiple regular and special meetings, Board of Directors review and approval of policy changes so they are in compliance with the rules and regulations set by the Minnesota Department of Commerce, strategic planning sessions, and continuing the missions to better understand the Credit Union's member's needs and provide solutions "when life happens". Chairperson Taylor thanked the Supervisory Committee, President/CEO Doug Ralston and his staff for their service and dedication in making Centricity what it is today. Motion was made, seconded, and carried to accept the Chair Report. Chief Financial Officer Constance Carter reported on Centricity's statements of financial condition for the years ended December 31, 2019 and 2018 and statements of income for the years ending December 31, 2019 and 2018. Centricity ended 2019 with \$161 million dollars in total assets. In 2019 our total assets grew by \$11.6 million dollars or by 7.8 percent. Our members' equity grew from \$16.7 million dollars in 2018 to \$18.9 million dollars in 2019. Our equity grew by 2.8 percent. This means that our equity is in a strong position for 2020 as the economy has been slowing down during the Covid pandemic. Our statement of income shows we ended 2019 with \$2 million in net income. This is an increase of \$646 thousand dollars over from our net income reported in 2018. The year 2019 was a great year for our Credit Union and for our industry as a whole. The growth that we have experienced has allowed us to provide the following to our members in 2019; Board approval of an engagement reward of \$220 thousand dollars that was paid to our members in February 2020 (correction was made on year); Expanded Rewards Checking program; Created a Senior Checking program; New Credit/Loan builder program; Two new certificate programs; Increases in technology, which included a new website and online banking platform; No closing cost home equity loans. We also offered cash incentives to our members who had loans at other financial institutions when they brought those loans back home to Centricity. CFO Carter went on about Centricity's financial history report and that it presented historical growth for the Credit Union in every category in 2019. Motion made, seconded, and carried to accept CFO Carter's Report.

Supervisory Committee Report was given by Chairperson Wade Petrich of the supervisor committee. This report was also available for reading and/or to listen to during the meeting. Chairperson Petrich indicated based on the results of the internal and external reviews for the year 2019, Centricity Credit Union remains well-managed, financially sound, and is in compliance with regulations, federal state and local laws, and policies according to the findings of the audits. Chairperson stated that members may confidentially report perceived Centricity Credit Union violations of rules and policies, unethical behavior, and other complaints directly to the post office box for the Supervisory Committee: Centricity Credit Union, Attn: Supervisory Committee, PO Box 15054, Duluth, MN. 55815 Motion was made, seconded and carried to accept the Supervisory Committee Report.

CEO Ralston called for any new or old business. CEO Ralston reviewed a section of the by-laws under elections (section 1). The Board has expressed interest in going to a mail ballot system for any nominations when there are vacancies on the Board as we move into the next year. This review did not need a motion. The Nominating Committee was not present at the annual meeting. CEO Ralston introduce their names. In January 2020 a call for letters of intent to be nominated for the Board was posted in the newsletter. There were no letters of intent received other than from the incumbents. At the February 2020 Board meeting the Board accepted the nominating committee's nominations and approved the names Margaret Taylor, Steve Morgan, and Pat Hendrickson to be added to the 2020 Ballot to serve three year terms. CEO Ralston called for nominations from the floor three times. Hearing none, motion to move forward with the election of the nominees to the Board of Directors. Motion was made, seconded and carried. There was no further business, motion was made, seconded and carried to adjourn at 9:21 A.M.

## CHAIR PERSONS REPORT

In 2020, the Board of Directors held twelve regular meetings and several special meetings, participated in ongoing training sessions required by our regulators on topics such as Bank Secrecy Act, and OFAC which is the Office of Foreign Asset Control. The Board of Directors attended educational seminars and meetings relating to a variety of financial topics. The strength and unity of the credit union system relies on the cooperation, support and involvement of volunteers at multiple levels, local, state and national to help the credit union movement have a voice in how the financial industry evolves.

Throughout the year, the Board of Directors review and approve all policy changes so they are in compliance with the rules and regulations set by the Minnesota Department of Commerce and NCUA. This year, the Board of Directors, Management Team, and Supervisory Committee met with a third-party facilitator who conducted our annual strategic planning session. The strategic planning session consisted of the outlook, goals, objectives, products, operational efficiencies, vision, mission and commitment to improving service to our members over the next five years. Strategically, the Board has provided direction to management that the primary focus be on the delivery of technology to enhance the in and out of branch member experience as well as enhancing on our savings and lending programs. Our vision is to be the “Google of Credit Unions”, providing solutions for the modern member, which can be defined as “creating and building real relationships and exceeding expectations through an omni-channel environment. Our mission is to better understand our members needs and be “here for you as life happens”.

On behalf of the Board of Directors, I wish to thank the Supervisory Committee, President/CEO, and his staff for their service and dedication in making the Credit Union what it is today. We appreciate the privilege of serving you, the members of Centricity Credit Union and for your support and trust in us.

Respectfully Submitted,  
Margaret Taylor  
Chairperson

### BOARD OF DIRECTOR

**Margaret Taylor** - Chairperson  
**Mark Thorsten** - Vice Chairperson  
**Steve Morgan** - Secretary  
**Pat Hendriskson** - Security Officer  
**Gayle Wahner** - Director  
**Scott Christensen** - Director  
**Garrett Busch** - Director  
**Leonard Luoma** - Ex Officio - Senior Advisor

### SUPERVISORY COMMITTEE

**Wade Petrich** - Chairperson  
**Tamilee Taylor-Depre**  
**Bernie Reger**  
**Katie Erickson**

### ADMINISTRATORS

**Doug Ralston** - President/CEO  
**Connie Carter** - Chief Financial Officer, CPA, MBA  
**Jim Swanson** - VP of Operations  
**Tory Lukovsky** - VP of Credit Risk  
**Laurie Graupe** - Assistant VP of Retail Operations  
**Nate TePoel** - Assistant VP of Lending  
**Cyndy Carlson** - Director of Human Resources  
**Lori Davis** - Director of Compliance and Risk Management  
**Grace Nelson** - Director of Accounting and Finance  
**Sharesse Edwards** - Director of IT/Project Management

Centricity Credit Union's supervisory committee is a key component of this financial institution. We are composed of member volunteers who act independently from the board of directors to serve the best interest of the credit union and its members. The committee monitors the overall performance and the operations of the credit union for safety and safeguard the assets of members by ensuring policies and procedures are followed, along with maintaining records, reports and internal controls. It is the responsibility of the committee to conduct regular and comprehensive evaluations of the credit union. This is done through annual audits and reviews, along with policies and procedures that are provided by the board and management. This ensures the organization stays true to these as well as any federal and state laws and regulations that govern Centricity Credit Union. The committee meets regularly to review and discuss internal controls, internal and external audits, and other duties that may periodically arise in the course of business. The supervisory committee engages independent firms to perform the annual financial, IT, 401K and other necessary Audits. RSM US, LLP conducted the audit of the financial statements which comprise the statement of financial condition for the year; related statements of income and comprehensive income, changes in members' equity, cash flows and related notes to the financial statement and member account verifications. Larry Tahtinen and Associates performed various internal audits during the year and reported quarterly to the committee. The MNCU Network performed the BSA audit and other firms for various audits during the year. The supervisory committee reviews these audits, works with NCUA and state auditors, the Centricity Credit Union management team, and the director of compliance and risk management.

Due to COVID-19 forcing shutdowns throughout the country in March, the branches had to reduce access for members and the credit union required some staff to work from home. The supervisory committee was able to monitor these new processes, making sure all the proper safeguards were in place to protect both members and staff. This was not only the case with the virus, but making sure financial data was safe and secure with the addition of remote offices. Based on the results of the internal and external reviews for the year 2020, Centricity Credit Union remains well-managed, financially sound, and is in compliance with regulations, federal, state, and local laws, and policies according to the findings of the audits and reviews. As the compliance requirements change, the committee continues to remain vigilant in protecting members assets, safeguarding member information, and ensuring that the credit union remains financially well-managed.

Members may confidentially report perceived Centricity Credit Union violations of rules and policies, unethical behavior, and other complaints directly to the post office box established for the supervisory committee:

Centricity Credit Union Attn: Supervisory Committee, PO Box 15054, Duluth, MN 55811

All letters addressed to the committee are reviewed and action is taken immediately to address any and all concerns. If a member leaves contact information, we will follow up with our findings.

The supervisory committee appreciates the professional and cooperative relationship of membership, the board of directors, and staff in our oversight role.

Wade Petrich

Chair, Supervisory Committee

Volunteer Members serving the Supervisory Committee:

Tamilee Taylor-Depre, Katie Erickson, Wade Petrich, Bernie Reger

CENTRICITY CREDIT UNION  
STATEMENTS OF FINANCIAL CONDITION - UNAUDITED  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b><u>ASSETS</u></b>		
Cash & cash equivalents	\$ 21,971,081	\$ 5,135,595
Investments	20,578,576	17,657,695
Loans net of allowance		
for loan losses	141,099,852	128,288,507
Property & equipment, net of allowance		
for accumulated depreciation	4,159,750	4,275,546
Other assests		
Accrued interest receivable	648,022	563,365
Deposit NCUA Share Insurance	1,537,394	1,300,579
	<u>6,602,543</u>	<u>3,785,571</u>
<b>Total Assets</b>	<b><u>\$ 196,597,218</u></b>	<b><u>\$ 161,006,858</u></b>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>		
Members and nonmembers' deposits	\$ 171,939,324	\$ 140,840,860
Accrued expenses and other liabilities	1,425,421	1,231,065
Notes Payable	2,476,114	-
<b>Total Liabilities</b>	<b><u>175,840,859</u></b>	<b><u>142,071,925</u></b>
Members' Equity	20,756,359	18,934,933
<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 196,597,218</u></b>	<b><u>\$ 161,006,858</u></b>

CENTRICITY CREDIT UNION  
STATEMENTS OF INCOME - UNAUDITED  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>Interest income</b>		
Interest on		
Loans	\$ 7,346,871	\$ 6,525,208
Investments	380,244	571,418
<b>Total Interest Income</b>	<b><u>7,727,115</u></b>	<b><u>7,096,626</u></b>
<b>Interest Expense</b>		
Dividends on members' shares and savings accounts	563,235	574,704
Dividends on nonmembers shares	35,378	26,592
Interest on borrowed money	6,789	10,163
<b>Net Interest Income</b>	<b><u>7,121,713</u></b>	<b><u>6,485,167</u></b>
<b>Provision for loan losses</b>	<b><u>641,703</u></b>	<b><u>341,287</u></b>
<b>Net interest income after provision</b>		
for loan losses	6,480,010	6,143,880
<b>Non-interest Income (expense)</b>		
Other income	2,594,296	2,712,688
General and administrative expenses	(7,334,039)	(6,830,618)
Non operating income and expenses	3,382	-
Gain/(Loss) on Sale of Assets	(3,498)	1,237
<b>Net Income</b>	<b><u>\$ 1,740,151</u></b>	<b><u>\$ 2,027,187</u></b>

FINANCIAL HISTORY REPORT - UNAUDITED

	2020	2019	2018	2017	2016
MEMBERSHIP	16,828	16,579	16,491	17,443	17,848
SHARES	171,939,324	140,840,860	130,735,563	123,208,591	122,437,864
ASSESTS	196,597,218	161,006,858	149,402,069	139,210,370	137,270,768
NUMBER OF CONSUMER LOANS DISBURSED	18,514	22,819	22,017	20,136	19,604
AMOUNT OF CONSUMER LOANS DISBURSED	46,849,264	45,556,907	41,208,754	34,667,653	41,694,230

**DRIVE-THRU HOURS**

<b>Monday</b>	9:00am-5:30pm
<b>Tuesday</b>	9:00am-5:30pm
<b>Wednesday</b>	9:00am-5:30pm
<b>Thursday</b>	9:00am-5:30pm
<b>Friday</b>	9:00am-5:30pm
<b>Saturday</b>	9:00am-Noon
<b>Sunday</b>	Closed

**CALL CENTER HOURS**

<b>Monday</b>	8:00am-5:30pm
<b>Tuesday</b>	8:00am-5:30pm
<b>Wednesday</b>	8:00am-5:30pm
<b>Thursday</b>	8:00am-5:30pm
<b>Friday</b>	8:00am-5:30pm

**LOBBY HOURS - DULUTH & HERMANTOWN**

<b>Monday</b>	9:00am-5:00pm
<b>Tuesday</b>	9:00am-5:00pm
<b>Wednesday</b>	9:00am-5:00pm
<b>Thursday</b>	9:00am-5:00pm
<b>Friday</b>	9:00am-5:00pm

**REMINDER**

ATMs are available 24/7 at each branch location and through our expanded ATM network

**CENTRICITY CREDIT UNION  
MOBILE APP**

Access your accounts wherever you are.  
With our mobile app you can:

- View your account balances and transaction history
- Use Popmoney to transfer funds from person to person
- Schedule payments using Bill Pay
- Get alerts on your phone

**DOWNLOAD OUR APP TO GET STARTED!**



**CENTRICITY.ORG**

**(218)729-7733**



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