

Treasurer's Report **Sherri Watson**

(Please refer also to our detailed Financial Statements)

“We are in business for small business” was the Sam’s Club slogan many years ago and it still plays in my head. As a small credit union, Collegedale Credit Union faces unique challenges in staying viable. One of the challenges facing small credit unions is to earn and retain enough income to service our members during the leaner years. Our retained earnings balance was thrown several punches, in a row, from the annual losses that occurred in 2019 through 2022.

However, on the good news front and continuing the momentum from 2023, Collegedale Credit Union was profitable again in 2024. The simple cursory overview, which we will discuss further, is that we were able to decrease operating expenses while, at the same time, increasing income.

Key Ratios and Facts that compare us to our peers:

- We remind you every year of the “holy grail” of ratios that regulators place HEAVY emphasis on; it is known as the “net worth to assets ratio.” It signals capital strength and ours had been weakened during the Covid years. In between a 2021 low of 6.81% to our 2024 upward movement to over 9%, exists a large amount of INTENTIONAL effort to raise this ratio. Regulators consider 7% and up as well-capitalized. One of the key drivers of this ratio is known as the “cost of funds” which is the interest rate on debt and/or member dividends. Managing that cost has been imperative for CCU in the last few years. You, our members, continue to be our first source of funds. We feel obligated to calculate that relationship in a way that best benefits the body of credit union members as a whole.
- Our “return on assets” ended at 0.57%. While our ROA is still below that of our peers, we made huge strides by more than doubling our ROA from a year ago. This is a key measure as it reflects our efficiency and productivity and how we use your assets to give back to you.
- Our delinquent loans are fortunately below those of our peers. However, we cannot become complacent in this area as we do not historically, in this geographic area, have a high loan portfolio that can handle delinquencies easily. We, and all small credit unions, must stand guard over this part of the business vigilantly.
- Our “yield on average investments” and our “Fee and Other Operating Income” are interrelated in the following way:
 - Our Yield on Average Investments is higher than that of our peers.
 - Our Fee and Other Operating Income is lower than that of our peers.
 - In the context of being profitable, this combination of being lower than our peers in fees and higher than our peers in investment income is an ideal position. As long as we can maintain investment returns, we can continue to be very competitive with our fees charged to members.

As stated earlier, we were able to decrease operating expenses while increasing income. Specifically, our highest ever loan portfolio is much of the reason. Our loan portfolio consists of loans we make directly to you (our members) along with loan revenue streams we purchase, in large pools, known as “Loan Participations.” In addition to increasing our loan income, we have been able to maintain our investment income in spite of overall less investments. The relatively stable return rates of 2024, along with the emphasis and time spent on choosing investments, helped support our 2024 net income. This net income was imperative to strengthen our capital and be returned to retained earnings as a buffer against what the future may hold.

Future with ModernFi

At Collegedale Credit Union, our 2024 uninsured shares ended up at over \$3.9 million, up from \$3.7 million in 2023. To help solve this upward trend, we have partnered with ModernFi to give you options for any uninsured shares. ModernFi is a breakthrough for credit unions by giving them tools banks have had for years. ModernFi facilitates a network of credit union partners to where our members’ uninsured shares can be swept for additional insurance above the \$250,000 limit. We can now provide an account with up to \$6 million of NCUA insurance while still being serviced through a single relationship at CCU. We will be reaching out to some of you to discuss how this could benefit you. In the meantime, please contact us if you are interested. We have a ModernFi representative scheduled to be here for the Annual Meeting Day to answer questions. We are very excited about this new relationship. Small credit unions are struggling to stay relevant and not be purchased or merged. ModernFi is a tool that can help us compete with large banks and still retain our intimate member relationships, the crux of being a credit union.

Our governing body of the Board of Directors is comprised solely of volunteers who bring a wide array of skills and backgrounds. We are blessed to have their guidance.

In closing, does it take a small business to appreciate other small businesses? The huge Sam’s Club chain would obviously argue no, based on their past slogan. However, at Collegedale Credit Union, we are proud to be a small credit union and are poised in 2025 to respond to the needs of small businesses and all our members.