

# CommonWealth is the *One* for you.



## 2016 ANNUAL REPORT



CommonWealth One  
*Federal Credit Union*  
*Your Lifetime Financial Partner*

## Chairman's Report

Rupert J. Jennings, III, Chairman

I am pleased to report that 2016 was an excellent one for CommonWealth One. We achieved improvements in service delivery and productivity, which allowed us to exceed many of our Balanced Scorecard goals. Most important, we increased the satisfaction and financial success of our members. Of course, none of this would be possible without a committed workforce, and we commend our staff for their engagement, collaboration, and commitment to serving members.

Each year, your Board and management team work to create a plan for the vision and strategic direction of your credit union for the next 12 months and to identify key actions to achieve that vision. In furtherance of our 2016 plan, we:

- Increased our loan production by \$10.42 million, a sign that members turned to CommonWealth One when they needed to borrow.
- Launched our new Loan Origination System, which improved the speed and efficiency by which we can deliver loans to members.
- Completed the makeover of our website, redesigning it to improve member engagement and improve functionality, with a focus on CommonWealth One's unique brand of benefits and services.
- Added the Virginia Consumer Council (VACC) to our Field of Membership, enabling us to open membership to all Virginia residents and anyone living in neighboring states.
- Increased our services per household and improved our Net Promoter Score, clear signs that members better understand the long-term value of CommonWealth One's financial products and services.
- Implemented a comprehensive staff training program to ensure our staff has a thorough knowledge of our products and services, and the resources needed to help our members achieve their financial goals.
- Made improvements to the Contact Center to lower costs, increase efficiency, and improve our members' experience.
- Implemented a new phone system to increase efficiency and improve our members' experience.
- Launched a new monthly financial education webinar series for members on topics such as budgeting, first car purchase, home buying, retirement, and paying for college.

Your credit union also ended the year with an almost 80% loan-to-share ratio and with a 0.64% ROA.

## Organization and People Development

Successful organizations require a dedicated and knowledgeable staff. As we face a competitive financial environment like no other in history, the need to develop a committed workforce is critical, as is the need for employees to be knowledgeable, resilient, and adaptable to change.

In fact, the most important issues that have impacted membership development are the building of a member-focused service culture of engagement, enhancements to service delivery channels, development of products and services, and identification of member needs to create, build, and promote our competitive strengths.

At CommonWealth One, we are focused on creating a culture of engagement by enhancing the unique strengths, talents, and contributions of our staff. We are committed to building and promoting a culture where employees thrive, collaboration prevails, and performance excels.

As we look to the future, we certainly see competitive, regulatory, and cybersecurity challenges. Nonetheless, the COFCU leadership is extremely optimistic that we are prepared and will achieve our member, asset and loan growth initiatives going forward. This will enable us to continue to provide excellent service to assist our members and achieve their financial goals.



## Statement of Financial Condition

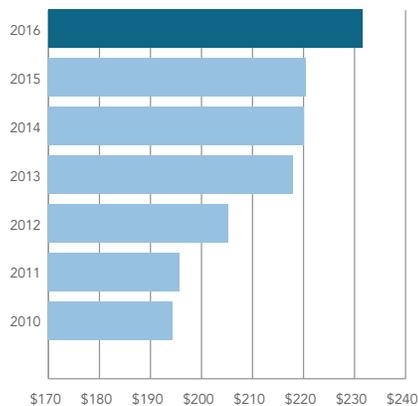
	2016	2015
<b>ASSETS</b>		
Loans to members (net)	\$231,662,336	\$220,561,143
Cash & cash equivalents	18,061,200	14,669,538
Investments	52,160,880	62,704,727
Accrued interest receivable	741,800	692,413
Property & equipment (net)	4,790,389	4,836,683
Other assets & prepaid expenses	15,763,714	15,051,583
<b>TOTAL ASSETS</b>	<b>\$323,180,319</b>	<b>\$318,516,087</b>
<b>LIABILITY, SHARE ACCOUNTS &amp; EQUITY</b>		
Accounts payable & accrued expenses	\$1,901,519	\$1,691,856
Dividend payable	217,161	216,558
Borrowed funds	-	3,000,000
Shares to members		
Share certificates	65,232,231	67,316,308
Share draft accounts	58,131,133	55,083,709
Other share accounts	165,307,471	160,495,165
<b>TOTAL SHARES OF MEMBERS</b>	<b>\$288,670,835</b>	<b>\$282,895,182</b>
Members' equity, partially restricted		
Regular reserves	\$3,859,344	\$3,859,344
Undivided earnings	29,091,806	27,047,833
Accumulated other comprehensive income	(560,346)	(194,686)
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$32,390,804</b>	<b>\$30,712,491</b>
<b>TOTAL LIABILITIES, SHARE ACCOUNTS &amp; EQUITY</b>	<b>\$323,180,319</b>	<b>\$318,516,087</b>

## Statement of Operations

	2016	2015
<b>INCOME</b>		
Interest on loans	\$9,808,756	\$9,698,658
Interest on investments	1,054,730	1,160,555
All other income	5,208,040	4,540,209
<b>TOTAL OPERATING INCOME</b>	<b>\$16,071,526</b>	<b>\$15,399,422</b>
<b>OPERATING EXPENSE</b>		
Compensation & employee benefits	\$5,888,086	\$5,648,525
Office operations	5,810,021	5,561,472
Office occupancy	1,063,737	984,263
Provision for loan losses	436,897	970,181
Interest on borrowed money	23,548	42,936
<b>TOTAL OPERATING EXPENSE</b>	<b>\$13,222,289</b>	<b>\$13,207,377</b>
Income before dividends on members' shares	\$2,849,237	\$2,192,045
Dividends on members' shares	992,037	1,052,891
Income after payment of dividends	\$1,857,200	\$1,139,154
Other non-operating income	186,773	185,180
Net income before NCUSIF stabilization	\$2,043,973	\$1,324,334
NCUSIF stabilization expense	\$-	\$-
<b>NET INCOME AFTER NCUSIF STABILIZATION</b>	<b>\$2,043,973</b>	<b>\$1,324,334</b>

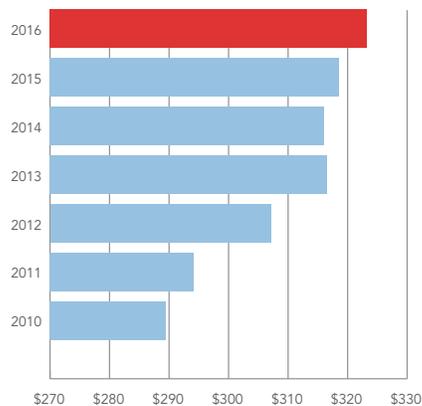
## Net Loans to Members

Dollars in millions

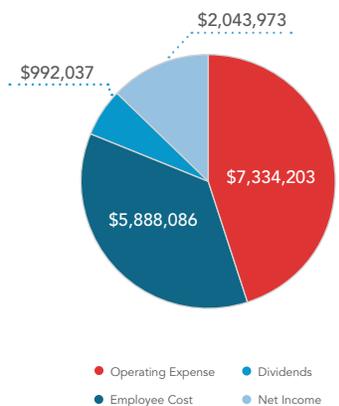


## Assets

Dollars in millions



## Distribution of Gross Income



## Treasurer's Report

Dr. William P. Jackameit, Treasurer

In 2016, CommonWealth One maintained our status as a stable and secure financial institution for our members. Our 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 increased slightly over last year, ending 2016 at \$323.1 million, compared with \$318.5 million in 2015. This increase of \$4.7 million, or 1.46%, reflects your confidence in CommonWealth One's ability to grow and remain strong in the face of ongoing economic uncertainty.
- Total member deposits increased as well, ending the year at \$288.7 million, a \$5.8 million increase from 2015. While many financial institutions struggled to maintain their customer base due to increased fees and diminishing services, CommonWealth One continued to be used by our members as their primary financial institution.
- Total loans at 2016 year end totaled \$232.2 million, a \$10.4 million, or 4.70%, increase from the previous year. The year end loans-

to-share-deposits ratio of 80.46% is above that of our peers, indicating that CommonWealth One is meeting the financing needs of our members.

- Net income for the year was a record \$2,043,972, which is 79.49% greater than our 2015 net income of \$1,138,745. As with 2015, there were no NCUA stabilization funds assessed.
- The ending capital-to-asset ratio of 10.02% is an increase of 0.38% from prior year end, indicating that the credit union is well-capitalized. The ending year-to-date return on the average assets ratio of 0.64% is an increase of 0.22% from the prior year, indicating that the credit union improved earnings in service to our members.

Although it's a costly process, CommonWealth One continues to comply with ever-increasing regulatory requirements, 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 we meet your future needs. Whether it's loans, deposits, or financial services, CommonWealth One is always prepared to serve your needs and to fulfill our commitment to be "Your Lifetime Financial Partner."

## Lending Report

CommonWealth One continued to achieve positive results in the lending area, as more and more members looked to us as their first choice for loans. This renewed interest in CommonWealth One's consumer loan products resulted in a 14% increase in loan applications from 2015 to 2016, and the balances on newly issued loans increased by \$4.5 million, a 13% increase over 2015. The largest increases in issued loan balances occurred in first mortgages, personal loans, and new auto loans. First mortgage production increased by 8%, personal loan production increased by 13%, and new auto loan production increased by 7% in 2016.

To meet your borrowing needs, CommonWealth One streamlined our loan processes and developed several new and highly competitive programs. These programs included our personal holiday loan specials, TrueCar<sup>®</sup>, and our Visa credit card.

In 2016, CommonWealth One issued over \$56 million in new loans and exceeded its loan production goals for the year. This was a 15% increase over 2015's loan originations. In 2016, we also continued to seek ways to supplement our loan production by obtaining high-quality loans through participation loans with other credit unions.

All of these efforts helped CommonWealth One reach a loan-to-share ratio of 80.45% in 2016.

The quality of our loan portfolio also performed ahead of expectations as the loan delinquency ratio declined from 0.71% in 2015 to 0.42%. And, the net charge-off ratio declined from 0.58% in 2015 to 0.25%, while recoveries from previously charged-off loans exceeded \$412,586 in 2016. This was a 52% increase from recoveries in 2014 and an increase of 55% over recoveries in 2015.

To ensure that the membership is fully aware of our excellent loan products, we continued to aggressively market our loan products through promotional rate campaigns, credit card balance transfer promotions, and the Team Up and Win campaign.

In summary, throughout 2016, we continued to meet your needs for loans with competitive interest rates. We will continue to work hard to earn your trust so that all members will see CommonWealth One as their first choice for loans.

## President/CEO's Report

Charlotte H. Cash, President/CEO

In the decade leading up to 2016, we experienced historic changes – in our economy, in technology, and in consumer behavior. Change and disruption are now a way of life. Nevertheless, emerging technology has created faster and more efficient ways of serving you as we pursue our mission to remain financially relevant in your life.

How does a credit union that's 73 years old stay relevant in members' lives in current times? By preserving our core values, having purpose beyond profits, and nurturing a devoted workforce. We understand that, in spite of historic change, employees make the difference.

We work hard to cultivate an environment that fosters a high-performing and engaged workforce by doing the following:

- Implementing a comprehensive employee training program to meet the challenges of a complex financial marketplace.
- Expanding our employees' capabilities to meet our goal to reach \$500 million in assets by December 2020.
- Implementing Best Practices in human resource programs to position Commonwealth One as an employer of choice and as a workplace where staff can thrive and achieve career goals.

### Member Needs Assessment and Research

CommonWealth One is about members and your financial success. To maximize our commitment to you, in fall of 2016, we conducted focus groups to discern the financial needs that most resonate with you. We also improved our Membership Feedback Program to determine areas for service improvements. And we paid special attention to members who close accounts, gaining valuable information about the reasons members leave the credit union. Recognizing the tremendous value of face-to-face interaction, we held monthly Member Appreciation Days to engage members, build loyalty, and strengthen relationships.

As a result of the vast amount of information gathered from these various sources of member feedback, Commonwealth One made these changes:

- Improved the login process to Online Banking, expanded Online Banking training for staff, and enhanced troubleshooting skills to address member issues online.
- Restructured Inactive Account and Dormant Account fees.
- Improved retail service delivery, specifically in the Contact Center.
- Changed the focus of member communication materials to directly engage members and address their needs.
- Identified and addressed service gaps to improve member satisfaction.

In 2016, Commonwealth One implemented targeted strategies to grow membership, including reducing membership attrition, energizing inactive accounts, restructuring JMU marketing programs, and launching four new Visa® credit card programs and several special-rate personal loan programs.

### Campaigns and Awards

In addition to significant improvements in service delivery systems, Commonwealth One also devoted considerable energy to these initiatives:

- Continuing Team Up and Win – a friendly competition among members to spread the word about Commonwealth One by offering rewards – and including all staff in marketing activities, making them powerful brand ambassadors and resulting in 1,100 new members.
- Focusing on staff training to strengthen the member service experience.
- Focusing our business development efforts on making more consumers aware of the credit union difference.
- Implementing a new One Source monthly webinar series to increase financial education and learning opportunities for members.

In a strong confirmation of Commonwealth One's commitment to financial literacy, your credit union received first place nationally for the Credit Union National Association's Desjardins Youth Financial Education Award for credit unions.

We are committed to delivering an exceptional member service experience, committed to constantly improving, and committed to confronting the challenges we face with insight, diligence, and adaptability. As a member of Commonwealth One, you deserve nothing less.

Your Board of Directors, management, and staff thank you for your membership and for the trust you have placed in Commonwealth One.



## 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 internal audit reports and other documentation.
- Confirms that financial reporting obligations are met.
- Checks internal control policies and procedures.

Our internal auditors, Clifton Larson Allen LLP, perform internal audits to ensure operations are in accordance with policies and guidelines. Doeren Mayhew, CPAs, conducted the annual audit

of our Financial Statements for the year ended December 31, 2016. Based on their examination, as well as our own review of management's and the Board of Directors' actions, the Supervisory Committee has determined that Commonwealth One is financially sound and internal controls are operating effectively.

In 2016, 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 March 31, 2016.

The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2016.

## Board of Directors

Rupert J. Jennings, III, Chairman  
John F. Knight, Vice Chairman  
John D. Hulvey, Secretary  
Dr. William P. Jackameit, Treasurer

Dr. Robert G. Darius  
Archie B. Ford  
Jesse Horneber  
Daniel Murray  
Kathleen C. Ognibene  
Lyle C. McLaren, Jr.,  
Director Emeritus

## Executive Team

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

## Supervisory Committee

George McAndrews, Chairman  
Marvin T. Isom  
Ben Perchik  
Georgia Wright-Hewitt

YOUR  
VOICE

YOUR  
COMMUNITY

YOUR  
CREDIT  
UNION

THANK YOU FOR YOUR BUSINESS AND MEMBERSHIP.



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