

# winning with the



## 2017 annual report



# chairman's report

Rupert J. Jennings, III, Chairman

2017 was an extremely good year – a record-setting one, in fact – for Commonwealth One.

We exceeded most of our goals, experienced significant improvement in service delivery and productivity, and made it much easier and faster to open new accounts. Of course, all of these achievements would not have been possible without our professional management team and staff. Your Board of Directors commends them for their engagement, collaboration, and commitment to serving members.

In 2017, Commonwealth One 1) increased assets by 7.88%, 2) increased outstanding loans by \$20 million, 3) achieved an almost 81% loan-to-share ratio, and 4) achieved a .54% return on assets. That kind of financial performance can only be accomplished when members consider Commonwealth One their lifetime financial partner.

When members need to borrow, and turn first to Commonwealth One, the result is a 25% increase in loan production in 2017. Some of this increase was the result of a new loan system that provides instant approvals and additional lending offers to members. We also implemented electronic signatures so members can have their funds within minutes of applying, doubling the number of applications that we can process as well as reducing our paper consumption by 90%. Other consumers also noted Commonwealth One's exceptional performance because members increased by 3.5% last year, allowing hundreds more to enjoy the benefits of Commonwealth One membership.

Our performance statistics reinforce our continually improving Net Promoter Score, a measure of member loyalty. A score of 59% in 2017 continues a steady year-over-year increase since we first measured member loyalty in 2015.

Several new programs contributed to a significantly improved member experience.

- **New Account Opening System** – an easy-to-use system that lets members open new accounts online within minutes by electronically signing and uploading documents, eliminating paper forms.
- **Electronic Document Management** (signature pads in branches) – eliminates deposit or withdrawal slips. Members sign the signature pad for verification of the transaction. If you choose not to receive a paper receipt, you are also helping the environment.
- **Instant-Issue Debit Cards** – issued on the spot at branch offices. Immediately after opening a checking account, members can receive a debit card and pick their own PIN, eliminating the wait to receive their card in the mail.

In 2017, we focused on employee engagement by 1) improving health benefits while reducing costs, 2) continuing to make staff training a priority, and 3) instituting an employee wellness program that included a six-week Fitbit Walking Challenge to promote physical fitness. These kinds of initiatives helped produce an overall employee satisfaction score of 4.15 (out of 5) on our employee engagement survey, compared to 4.00 for credit unions of the same size.

Commonwealth One also improved the member experience by focusing on employee performance. We conducted over 400 hours of internal staff training and conducted our first day-long All Staff Training. We also introduced the FISH Philosophy to staff at our day-long All Staff Training. FISH focuses on attitude, being present in the moment, having fun in the workplace, and making a difference – all of which spur changes that encourage workplace positivity. In our employee engagement survey, 96% of staff said they were committed to the credit union, and 81% regard Commonwealth One as a good or great place to work. This employee focus was in part responsible for a 9% reduction in employee turnover from 2016. We also retained 10% more of our new hires compared to 2016.

In 2017, we expanded our membership base by increasing the engagement of three member segments: Youth and Students (age 0-22); Millennials (age 25-35); and Wealth Market (age 55-65).

To attract new members, build loyalty, and foster longevity, we conducted research to determine engagement activities, products/services, and educational resources for these groups. Based on that research, our marketing strategy used new social and online marketing channels as well as direct sales elements, resulting in increased member engagement.

Throughout 2017, we maintained a strong commitment to our communities by partnering with local groups to sponsor events such as the American Heart Walk and the Cherry Blossom Run. We also built new relationships with the Boys and Girls Club of Alexandria and partnered with schools in Washington, D.C., to provide financial education tools. A major characteristic that differentiates Commonwealth One from other financial institutions is the importance we place on being an active participant in the communities we serve by providing various resources and educational opportunities.

Growing our assets, increasing outstanding loans, strengthening our financial performance, continually improving member service, offering the most financially sound products available, and incorporating 21st century technology are all the direct results of our staff, managers, volunteer committees, and Board of Directors who are committed to your financial success.

We thank you for the trust you've placed in us as your lifetime financial partner.

## Statement of Financial Condition

ASSETS	2017	2016
Loans to members (net)	\$253,845,254	\$231,662,336
Cash & cash equivalents	3,448,230	18,061,200
Investments	65,923,216	52,160,880
Accrued interest receivable	920,874	741,800
Property & equipment (net)	4,429,487	4,790,389
Other assets & prepaid expenses	20,090,373	15,763,714
<b>TOTAL ASSETS</b>	<b>\$348,657,434</b>	<b>\$323,180,319</b>

### LIABILITY, SHARE ACCOUNTS & EQUITY

Accounts payable & accrued expenses	\$1,869,932	\$1,901,519
Dividend payable	266,119	217,161
Borrowed funds	-	-
Shares to members		
Share certificates	65,759,262	65,232,231
Share draft accounts	64,934,588	58,131,133
Other share accounts	181,455,096	165,307,471
<b>TOTAL SHARES OF MEMBERS</b>	<b>\$312,148,946</b>	<b>\$288,670,835</b>

Members' equity, partially restricted		
Regular reserves	\$3,859,344	\$3,859,344
Undivided earnings	30,893,497	29,091,806
Accumulated other comprehensive income	(380,405)	(560,346)
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$34,372,437</b>	<b>\$32,390,804</b>

<b>TOTAL LIABILITIES, SHARE ACCOUNTS &amp; EQUITY</b>	<b>\$348,657,434</b>	<b>\$323,180,319</b>
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## Statement of Operations

INCOME	2017	2016
Interest on loans	\$10,969,178	\$9,808,756
Interest on investments	1,045,823	1,054,730
All other income	4,679,043	5,208,040
<b>TOTAL OPERATING INCOME</b>	<b>\$16,694,044</b>	<b>\$16,071,526</b>

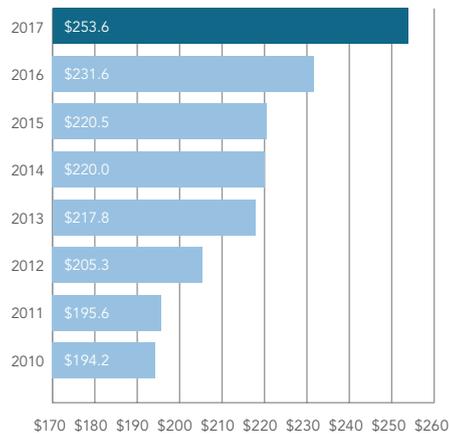
### OPERATING EXPENSE

Compensation & employee benefits	\$5,818,684	\$5,888,086
Office operations	6,380,614	5,810,021
Office occupancy	743,679	1,063,737
Provision for loan losses	1,008,230	436,897
Interest on borrowed money	-	23,548
<b>TOTAL OPERATING EXPENSE</b>	<b>\$13,951,207</b>	<b>\$13,222,289</b>

Income before dividends on members' shares	\$2,742,837	\$2,849,237
Dividends on members' shares	1,149,611	992,037
Income after payment of dividends	1,593,226	1,857,200
Other non-operating income	208,466	186,773
Net income before NCUSIF stabilization	1,801,692	2,043,973
NCUSIF stabilization expense	-	-
<b>NET INCOME AFTER NCUSIF STABILIZATION</b>	<b>\$1,801,692</b>	<b>\$2,043,973</b>

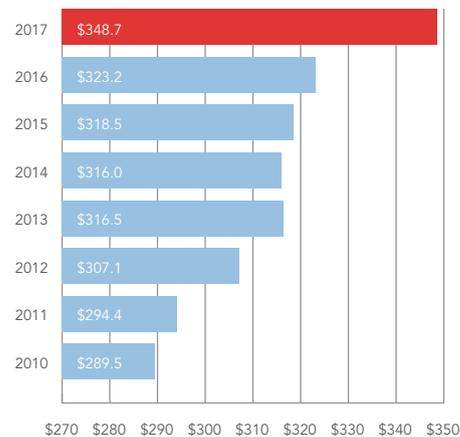
## Net Loans to Members

Dollars in millions

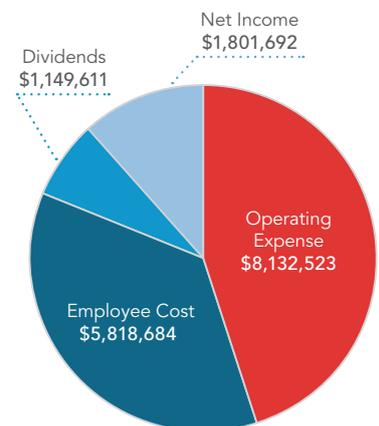


## Assets

Dollars in millions



## Distribution of Gross Income



# treasurer's report

Dr. William P. Jackameit, Treasurer

In 2017, CommonWealth One maintained its status as a stable and secure financial institution for our members. Its 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 over last year, ending 2017 at \$348.7 million, compared with \$323.1 million in 2016. This increase of \$25.5 million, or 7.88%, 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 \$312.1 million, a \$23.5 million increase from 2016. While many financial institutions struggled to maintain their customer base due to their increased fees and diminishing service, CommonWealth One continued to be used by members as their primary financial institution.
- Total loans at 2017 year-end totaled \$252.4 million, a \$20.2 million, or 8.70%, increase from the previous year. The year-end loan-to-share deposits ratio of 80.87% is above that of our peers, indicating

that CommonWealth One is meeting the financing needs of its members.

- Net income for the year was a healthy \$1,801,692, which is 11.85% less than our 2016 net income of \$2,043,972. As with 2016, there were no NCUA stabilization funds assessed.
- The ending capital-to-asset ratio of 9.97% is a decrease of 0.23% from prior year-end, due to our growth in assets; the credit union is well capitalized. The ending return on the average assets ratio of 0.54% is a decrease from 0.64% the prior year, indicating that the credit union earnings had a slight overall decrease as it invested in enhancing the services to its 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 it meets 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

2017 was the first full year on the new loan origination system. The renewed interest in CommonWealth One's consumer loan products resulted in a 9% increase in loan applications from 2016 to 2017, and the balances on newly issued loans increased by \$11 million, a 7% increase over 2016. The largest increases in loan balances occurred in Visa® credit cards, auto loans, signature loans, first mortgages, and home equity loans. In 2017, Visa credit card production increased by 13%, home equity production increased by 37%, and used auto loan production increased by 11%.

In 2017, CommonWealth One issued over \$67 million in new loans and exceeded its loan production goals for the year. This was a 7% increase over the previous year's loan originations. We also continued to seek ways to supplement our loan production by obtaining high-quality loans through participations. All of these efforts helped CommonWealth One reach a Loan-to-Share ratio of 80.87% by the end of 2017.

The performance of our loan portfolio is consistent with our peers as measured by the loan delinquency ratio of .74% in 2017. And, the net charge-off ratio increased slightly from .25% in 2016 to .35%. Recoveries from previously charged-off loans were over \$270K in 2017.



# president/ceo's report

Charlotte H. Cash, President/CEO

With the “era of the consumer” squarely upon us, financial institutions must take their customers more seriously than ever. CommonWealth One, however, wrote the book on this topic decades ago, because fostering, nurturing, and sustaining a relationship with our members is part of the credit union DNA.

In 2017, CommonWealth One aggressively initiated a number of programs and introduced new products and services that improved member service and focused on the financial needs members have throughout their lives. As a result, we experienced a record number of loan applications, with 77% responding to direct mail promotions, ad retargeting, email and online communications. Also, 12% of members cited a CommonWealth One employee as the source for their loan referral. The number of new members citing internet searches continues to grow and, for the first time, referrals from social media are increasing, which can be attributed to our year-end, online, Holiday Loan Facebook campaign.

Important member-centric events that occurred in 2017 include:

- **JMU 25th Anniversary Celebration:** In November, a James Madison University (JMU) reception with faculty and staff celebrated our 25 years of serving the JMU community.
- **Business Platinum Rewards Credit Card Campaign:** To attract new business owners and community partners, as well as build our business services program, CommonWealth One introduced in late November a “2.99% APR\* for 12 months” Business Platinum Rewards credit card with credit limits to \$50,000 for small business owners. This is the first product in our planned business loan suite.
- **4.99% APR\* Visa® Life of the Balance Promotion:** This special offer to save money by transferring credit card balances to a CommonWealth One Visa increased our credit card portfolio by \$4 million.
- **“ONE” branding campaign:** Radio and targeted social media produced 3.5% membership growth, which we have not experienced in years.
- **\$10,000 in scholarships:** For 20+ years, CommonWealth One has awarded scholarships to student members to help further their education and pave a more affordable path through college and beyond. CommonWealth One provided four \$2,500 scholarships to high-achieving student members. We received 114 applications, a record number.
- **“Dreams Thrive Here”:** We awarded \$1,700 in prizes to members for sharing their dreams on video. Dozens of members created videos about their goals and their plans to use the prize money. Winning videos are posted on our YouTube channel at <https://www.youtube.com/user/CommonWealthOneFCU>.

Our community-wide Free Shred Days are now a regular event. Our locations in Alexandria and Harrisonburg, Virginia, hosted Spring and Fall Shred Events, where local residents and credit union members shredded and securely recycled more than 40,000 lbs. of their personal and sensitive paperwork – an important step in preventing identity theft and fraud. CommonWealth One staff helped participants dispose of their materials and were also available to answer questions about mortgages, auto loans, checking and savings accounts, online account opening, and other financial products and services. As part of our ongoing commitment to the communities we serve, this popular semi-annual event is free and open to the public.

Our “Strongest ARM \$5,000 Home Loan Sweepstakes” was a successful campaign, not only in generating loans, but in the exposure CommonWealth One’s loan products received. The sweepstakes attracted 2,361 entries that resulted in \$3M in home equity loans, and \$4M in “5/5 ARMs.” Members received a sweepstakes entry when they applied for a mortgage, equity loan, or got an advance on their existing equity line from July 1 – September 30, 2017. Our winner, Ricky White, received an entry when he applied for his equity loan. Ricky was the recipient of the grand prize of \$5,000. He joined CommonWealth One as a teenager when his father worked for The Washington Post.

Our goals in 2018 are to strengthen relationships with our members by offering 1) competitively priced products and services, 2) the advanced technology you need to simplify your finances, and, most important, 3) superior member service. We also always strive to be a responsible citizen by strengthening our community involvement and financial education efforts.

Our Board of Directors, professional management team, and skilled and dedicated staff will continue to work hard, maintaining the synergy that ensures that CommonWealth One remains the safe, secure, and dependable choice throughout your financial life.

\*APR=Annual Percentage Rate.



# 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 auditor, CliftonLarsonAllen LLP, performs internal audits to ensure operations are in accordance with policies and guidelines. Nearman, Maynard, Vallez, CPAs conducted the annual audit of our

Financial Statements for the year ended December 31, 2017. Based on their examination, as well as our own review of management and Board of Directors actions, the Supervisory Committee has determined that Commonwealth One is financially sound and internal controls are operating effectively.

In 2017, the National Credit Union Administration (NCUA) completed an examination of the financial condition of the credit union and our compliance with applicable rules and regulations with an effective date of September 30, 2017.

The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2017.

## 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  
Mary L. Summer

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  
Daniel Murray  
Ben Perchik  
Georgia Wright-Hewitt

YOUR  
VOICE

YOUR  
COMMUNITY

YOUR  
CREDIT  
UNION

THANK YOU FOR YOUR BUSINESS AND MEMBERSHIP.



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