

CELEBRATING OUR



TH

ANNIVERSARY



CommonWealth One  
Federal Credit Union  
Your Lifetime Financial Partner

2019 Annual Report



# Chairman's Report

CommonWealth One Federal Credit Union, initially known as Army Air Force Annex #1 Federal Credit Union, originated in 1944 as virtually all credit unions do: To fill a need. And because it filled that need so well, we are now 75 Years Strong, and getting stronger.

The original founders began with the goal of helping their co-workers navigate the rough spots along the path to financial security. In 1944, "people helping people" was a simple, straightforward idea that ultimately propelled CommonWealth One to 75 Years Strong. While the financial world of today is exponentially more complex than it was in 1944, people helping people is still a winning strategy.

One year after our founding, it became clear that strong growth was in our DNA because by December of 1945, the credit union had grown to 94 members and 60 loans totaling \$4,000, foretelling today's 34,000 members and \$375 million in assets. And not once during our steady, continuous growth have we strayed from our "people" philosophy. Rather, we embraced it even more vigorously as the years went by, growing our membership and enhancing our value proposition: putting members first by helping them improve their financial lives.

## Successfully Managing Operating Expenses

Operating expenses are a necessary fact of life. The key, however, is to reduce operating expenses without compromising the quality and integrity of operations. I'm happy to report that our management team controlled operating expenses without affecting CommonWealth One's ability to successfully compete in a competitive financial marketplace. Although finding that balance is difficult, last year, with hard work and input from all staff, we controlled increases in operating expenses, continuing a trend of the last few years.

Additional strategies that helped us achieve our current results also included:

- Maintaining competitive dividend rates without negatively affecting net interest margins, particularly important when loan income was less than expected.
- Increasing deposits year-over-year.

These and other strategies keep us on the path toward our asset goal of \$500 million by the end of 2020.

## Membership Expansion

"Expand or expire" is an accepted prescription for long term business success. For credit unions, however, there is another equally important reason for expanding our membership; it allows more consumers to enjoy the unique benefits of belonging to a credit union. Membership expansion promotes and strengthens our competitive position and encourages increased member usage of products and services – helping more members achieve greater financial success, while strengthening your credit union in the process.

A merger with another credit union is another way to expand membership. In 2019, the National Credit Union Administration along with the membership of AB&W Credit Union approved their merger with Commonwealth One and, thus becoming one credit union with over \$400 million in assets from two organizations with similar core values and culture. This merger continues our 75-year legacy and is clearly in the best interest of both credit unions. We welcome the former members of AB&W Credit Union to Commonwealth One.

Offering membership to new employee groups gained through mergers is as important as the merger. Commonwealth One's field of membership will expand to include new employer groups like the Washington Metropolitan Area Transit Authority, offering new opportunities for additional growth, and once again spreading the unique benefits of credit union membership to consumers who might not otherwise have this opportunity.

While 75 years is a milestone few ever achieve, 75 Years Strong raises the bar even higher. On behalf of the Board of Directors, I thank you all for 75 years of success made possible by the enthusiasm, dedication and passion of our staff and management team, as well as the support of our members, past and present, who trusted Commonwealth One year after year as the financial institution most likely to help them achieve financial success.

  
Rupert J. Jennings, III  
Chairman, Board of Directors

# President/CEO's Report

In 2019 we celebrated a milestone – the 75<sup>th</sup> Anniversary of our founding. We began the year just as we did over seven decades ago; providing our members with the resources they need to improve their financial lives. Originally called Army Air Force Annex #1 Credit Union, CommonWealth One Federal Credit Union was started when eight civilian employees of the War Department and Commissioned Army Officers decided to form a credit union to help their fellow employees meet their financial obligations during World War II. The credit union quickly began a slow and steady growth to become the CommonWealth One we know today. And while time and technology have distanced us from the roots of that beginning, we remain loyal to our past by continuing the tradition of trying to help every member reach financial security.

## Notable Achievements in 2019

We celebrated our 75<sup>th</sup> Anniversary by offering members a valuable promotion every month of the year. Through our member surveys, we obtained feedback to identify their financial preferences and needs. Our desire is to become our members' "OneSource for Financial Services."

In 2019, we added a student ambassador component to the Academy of Finance training and financial education program we sponsor at T.C. Williams High School. We also introduced a new scholarship for students at Harrisonburg High School, and created a program to attract deposits for the twelve *Credit Union in the Schools* elementary and middle school programs we sponsor.

To improve your experience, we have a team that tracks our members' experience at every point of interaction. This helps us improve processes and make it easier for members to do business with us.

Our website averages about 90,000 visits a month and is a major communication tool for our members. To that end, we updated our website to streamline its navigation and make it easier to find the financial information you need. In the fall of 2020, we will launch a newly designed site. We know what an important communication tool [cofcu.org](http://cofcu.org) is and we want to enhance our ability to communicate with the increasing number of members who spend much of their time online. CommonWealth One has also worked very hard to improve its social media presence; we now have over 6,000 Facebook fans. Our social media posts focus on community activities and financial education. In 2019, we also launched text marketing and new social media channels.

## Loyalty Program Expanded

Loyal and lasting financial relationships with our members are based on the trust that CommonWealth One will provide the products and services you need to improve financially, as well as the technology to make it easy to meet your financial obligations. In 2019, we expanded our loyalty program by offering incentives for automatic loan repayment. We also offered a series of special promotions, such as our "Blockbuster Savings Offer" that awarded an incentive bonus for new accounts and loans, as well as bonus rates on share certificates.

## New Member Acquisition

Obtaining new members continues to be so important to CommonWealth One's growth. In 2019, the members of Alexandria-based AB&W Credit Union voted to merge into CommonWealth One. This merger was finalized in March 2020 and resulted in a credit union with assets of over \$400 million, which brings us closer to our "TeamONE Strive for \$500 Million" asset goal.

## Giving Back

It's often heard that "It's better to give than to receive." When CommonWealth One gives back to our communities, we in turn receive because it broadens our perceptions of the world and helps us understand the needs and struggles of those around us. In making our "people helping people" mission come to life, we are changed for the better for having improved the communities where we live, work and play.

A few of the highlights of CommonWealth One living up to the mission of "people helping people" include:

- Members and staff donated 250 plus hours of volunteer service supporting the Capital Area Food Bank Food Pantries, INOVA Blood Drives, Volunteer Alexandria Backpack Drives, School Supplies Drive, Mercy House Donations, Northern Virginia Family Services Activities and more.
- CommonWealth One offered \$12,000 in college scholarships for students in Alexandria and Harrisonburg, including a new \$1,000 scholarship for Harrisonburg High School – and increased scholarships for T.C. Williams High School to \$3,000 which allowed students to apply for additional funds through the City of Alexandria's program after their first year in college. We again offered two \$2,500 Kathryn Coleman scholarships.

- In October, we supported Breast Cancer Awareness Month through the Race to Beat Breast Cancer in Harrisonburg, which helped raise over \$30,000 for the Hope Cancer Fund. The medical center gave away free mammograms to over 400 women in Harrisonburg, saving lives through early detection.
- Members and staff joined credit unions across the country to help raise \$500,000 for Children's Miracle Network Hospitals through the Credit Union Cherry Blossom 10 Mile Run, an annual event.
- Commonwealth One, along with the JMU College of Business, sponsored the 4th Annual Martin Luther King Jr. Day of Service, where students collected non-food items, coats, toys, and wrote letters to veterans for Operation Gratitude.

## Loan and Deposit Growth

It was a good year for income and our balance sheet. We grew deposits by \$25 million (8.08%) through share certificate promotions and our loans by \$8 million (3.24%) through offering a variety of loan specials. We continued to strengthen our capital position by attaining profitability. Our Net Worth to Asset ratio ended the year at 10.37%.

## Our Future

As we reflect on the past 75 years, we have seen many changes in our name – from Gravely Federal Credit Union in 1971, to AMC Credit Union, and then in 1992, to Commonwealth One Federal Credit Union. We now serve residents of Virginia,

Maryland, Washington, D.C., North Carolina, West Virginia, Tennessee and Kentucky plus over 200 Select Employer Group partners, including the James Madison University and Harrisonburg community, City of Alexandria employees, The Washington Post, INOVA Alexandria Hospital employees, and many more.

We've also seen changes in the types of financial services we offer, from the old, handwritten savings passbooks of the 1970s to the remote digital banking services offered today. While each year may be filled with new challenges, new opportunities, and new beginnings, as your financial partner, you can trust that Commonwealth One will keep your deposits safe, your costs down, and your best interest front and center.

As we move through 2020 and beyond, we will continue our efforts to increase member engagement as we strengthen our distinctive brand and continue to ensure an exceptional service experience for our members.

Commonwealth One's staff, management team and Board of Directors want to thank you for membership and your continued support. We will continue to put members first and promote our strengths and value proposition, nurturing new relationships for long-term growth as we advance toward our *TeamONE Strive for \$500 Million* goal by the end of 2020.

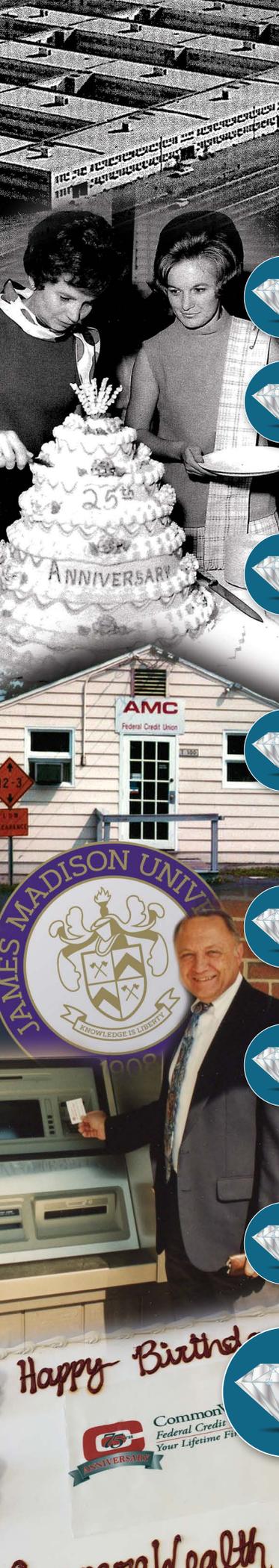
*Charlotte H. Cash*

President/CEO



# COMMONWEALTH ONE

## History Timeline



**1944** – AAF Annex #1 Federal Credit Union founded.



**1969** – Celebrated 25th Anniversary as Gravely Point Federal Credit Union. The Credit Union has \$4.5 million in assets.



**1974** – Celebrated 30th Anniversary; name changed to U.S. Army Material Command Federal Credit Union. Credit Union has \$13.1 million in assets.



**1992** – Name changed to Commonwealth One Federal Credit Union. Extended membership to James Madison University community.



**1994** – Commonwealth One celebrated 50 years of service. Credit Union has \$120 million in assets.



**1994** – July 1: Commonwealth One's Chief Executive Officer, Kathryn Coleman, retires after 37 years of service.



**2012** – Commonwealth One reaches over \$300 million in assets.



**2019** – **75 Years**  
Celebrating a Milestone



# Treasurer's Report

In 2019, 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 compared to last year, ending 2019 at \$375.4 million compared with \$347.9 million in 2018. This increase of \$27.5 million or 7.90%, reflects your confidence in CommonWealth One's ability to grow and remain strong.

Total member deposits increased as well, ending the year at \$334.4 million in 2019 versus \$309.4 million in 2018. While many financial institutions struggled to maintain their customer base and to attract new deposits, CommonWealth One continued to offer value to our members through competitive special promotions on share certificates resulting in a year-over-year growth in deposits of 8.08% or \$25.0 million.

Total loans ended the year at \$262.6 million, a 3.24% increase from 2018. The year-end loans-to-share deposits ratio was 78.53% and is above that of our peers, indicating that CommonWealth One is meeting the financial needs of its members.

## Lending Report

CommonWealth One is committed to being the Lifetime Financial Partner for our members, by providing loan products and services to meet member financial goals. The Credit Union is committed to continual annual loan growth. In 2019, CommonWealth One originated \$73.6 million in new loans. These new loan originations represent the millions of ways CommonWealth One has helped its members achieve financial well-being.

Total loans at year-end 2019 were \$262,614,386, an increase of 3.24% over 2018. The success of our yearlong 75<sup>th</sup> Anniversary auto loan promotion was a major factor in our loan growth in 2019. However, our loan growth has been varied across all types of loan products. The most robust loan growth came from Auto Loans (\$5.5 million), Home Equity Products (\$1.3 million), Credit Cards (\$1.75 million), and 1st Mortgages (\$1.2 million).

CommonWealth One continues to offer innovative products to its membership. In 2019, the Credit Union launched

Net income for the year was a healthy \$1,889,751, which is almost 18% less than our 2018 net income of \$2,300,789. Most of the decline in the 2019 income can be attributed to lower market interest rates on loans which impacted our net interest margin.

The ending capital to asset ratio of 10.37% is a slight decrease of 0.28% from 10.65% at prior year-end; however, the credit union continues to be well capitalized. The ending return on the average assets ratio of 0.52% is a decrease from 0.66% the prior year. The credit union earnings have remained strong.

CommonWealth One continues to comply with the costs of ever-increasing regulatory requirements and the implementation of advanced technology services 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 other services, CommonWealth One is always prepared to serve your needs and to fulfill our commitment to be "Your Lifetime Financial Partner."

  
Treasurer, Board of Directors

several specialty home equity products to meet the needs of the marketplace. The expanded home equity product line now includes a 100% loan-to-value home equity loan, to help with a purchase of a home or access existing equity. We also added a home improvement loan allowing members to borrow up to 133% of their home value to finance renovations. These new loan products will help make home ownership a reality and will also help members wanting to improve their existing home.

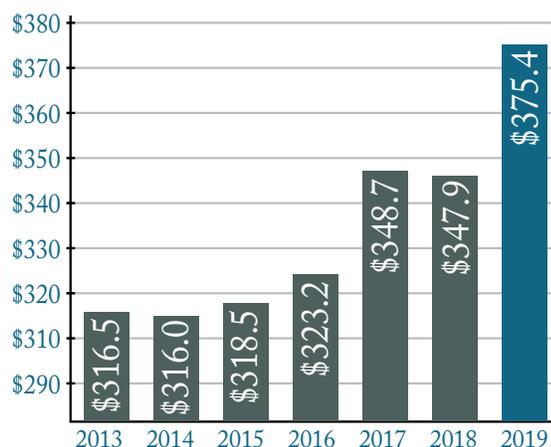
In the coming year, CommonWealth One will be applying considerable resources toward enhancing the member experience. Our goal is to provide the member with a quick approval and smooth loan closing. In addition to receiving a competitive rate, our goal is to ensure that our members have a great experience getting their loan. Our staff stands ready to help our membership achieve their financial goals through excellent service and seamless processes. We look forward to exceeding your expectations in 2020.

# Statement of Financial Condition

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Loans to members (net)	\$ 261,332,580	\$ 253,483,125
Cash & cash equivalents	4,118,248	4,963,311
Investments	85,270,212	68,361,919
Accrued interest receivable	1,022,057	1,065,185
Property & equipment, net	4,372,879	4,756,080
Other assets & prepaid expenses	<u>19,265,516</u>	<u>15,280,779</u>
Total Assets	<u>\$ 375,381,492</u>	<u>\$ 347,910,399</u>
<b>LIABILITY, SHARE ACCOUNTS AND EQUITY</b>		
Accounts payable & accrued expenses	\$ 1,368,492	\$ 1,680,747
Dividend payable	574,426	365,812
Borrowed Funds	-	-
Shares to Members		
Share certificates	94,294,137	68,557,657
Share draft accounts	66,892,401	64,152,043
Other share accounts	<u>173,230,803</u>	<u>176,705,047</u>
Total Shares of Members	\$ 334,417,341	\$ 309,414,747
Members' Equity, partially restricted		
Regular reserves	\$ 3,859,344	\$ 3,859,344
Undivided earnings	35,084,035	33,194,284
Accumulated other comprehensive income	<u>77,854</u>	<u>(604,535)</u>
Total member's equity	\$ 39,021,233	\$ 36,449,094
Total Liabilities, Share Accounts & Equity	<u>\$ 375,381,492</u>	<u>\$ 347,910,399</u>

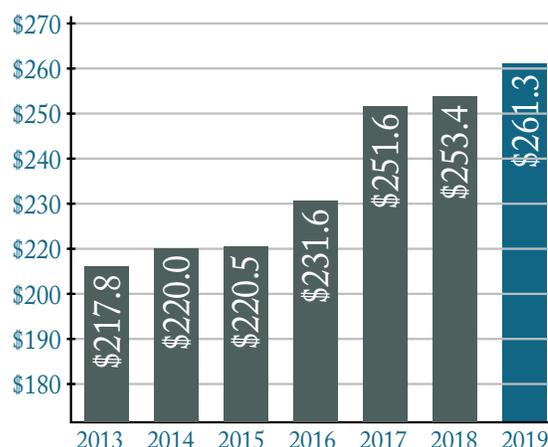
## ASSETS

Dollars in Millions



## NET LOANS TO MEMBERS

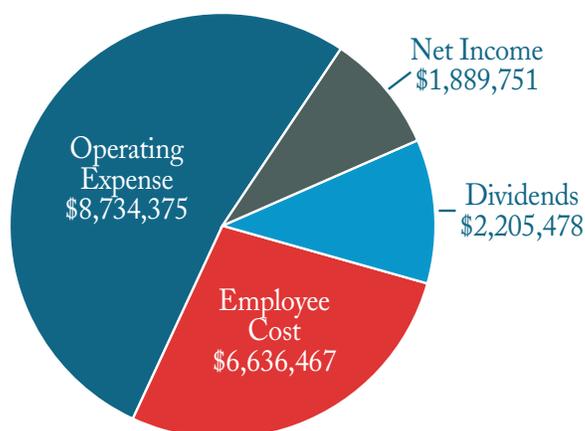
Dollars in Millions



# Statement of Operations

INCOME	2019	2018
Interest on loans	\$ 13,147,999	\$ 12,185,908
Interest on investments	1,558,517	1,421,519
All other income	<u>4,594,332</u>	<u>5,014,308</u>
Total Operating Income	\$ 19,300,848	\$ 18,621,735
OPERATING EXPENSE		
Compensation & employee benefits	\$ 6,636,467	\$ 6,191,284
Office operations	6,525,396	6,359,533
Office occupancy	749,396	718,982
Provision for loan losses	1,459,583	1,588,472
Interest on borrowed money	<u>—</u>	<u>—</u>
Total Operating Expense	\$ 15,370,842	\$ 14,858,271
Income before dividends on members' shares	\$ 3,930,006	\$ 3,763,464
Dividends on members' shares	<u>2,205,478</u>	<u>1,584,749</u>
Income after payment of dividends	\$ 1,724,528	\$ 2,178,715
Other Non-Operating Income	165,223	122,074
Net Income before NCUSIF Stabilization	<u>\$ 1,889,751</u>	<u>\$ 2,300,789</u>
NCUSIF Stabilization Expense	<u>\$ —</u>	<u>\$ —</u>
Net Income after NCUSIF Stabilization	<u><u>\$ 1,889,751</u></u>	<u><u>\$ 2,300,789</u></u>

## DISTRIBUTION OF GROSS INCOME



# Supervisory Committee's Report

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

Our internal auditors, PBMares, LLP perform 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 ending December 31, 2019. 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 2019, 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 December 31, 2018. The Supervisory Committee thanks management, staff, and our members for their assistance and cooperation throughout 2019.



Chairman, Supervisory Committee

## Board of Directors

Rupert J. Jennings, III, Chairman  
John F. Knight, Vice Chairman  
John D. Hulvey, Secretary  
Dr. William P. Jackameit, Treasurer  
Archie B. Ford  
Daniel Murray  
Mary L. Summers

Lyle C. McLaren, Jr., Director Emeritus

## Executive Team

Charlotte H. Cash, President/CEO  
Larry L. Flory, Chief Information Officer  
Isabel Gomez, Chief Financial Officer  
Shamus A. McConomy, Chief Operations Officer  
Karyle F. Thornton, Chief Marketing Officer

## Supervisory Committee

George McAndrews, Chairman  
Kevin J. Cochran  
Marvin T. Isom  
Ronald F. McCray  
Frank Tedeschi



3  
bership shall be as set forth in the attached bylaws and any amendments thereto or thereof approved pursuant to Section 8 of the Federal Credit Union Act.

IN WITNESS WHEREOF we\* have hereunto subscribed our names

this 31<sup>st</sup>  
October 2011  
Name of Member  
Emma

number of shares subscribed by each are as follows\*  
(To be typed or printed)

### ORGANIZATION CERTIFICATE

ART. I. FEDERAL CREDIT UNION  
Charter Number 5135

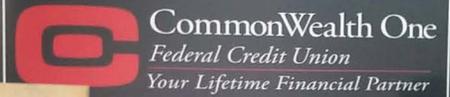
To Federal Deposit Insurance Corporation:

We, the undersigned, do hereby apply for permission to organize and to operate a Federal credit union for the purposes indicated in and in accordance with the provisions of Public Act No. 467 of the 73rd Congress entitled "An Act to establish a Federal Credit Union System, to establish a further market for securities of the United States and to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States"; we agree to comply with the requirements of said Act, with the terms of this organization certificate and with all laws, rules and regulations now or hereafter applicable to Federal credit unions; and we hereby certify that:

(1) The name of this credit union shall be \_\_\_\_\_  
ART. II. FEDERAL CREDIT UNION.

(2) This credit union will maintain its office at \_\_\_\_\_  
Generally Point, Washington, D. C.

and will operate in the following territory: \_\_\_\_\_  
Generally Point Area, Washington, D. C.



Supporting JMU & the Community  
Scholarships • Student Loans  
Located in Madison Union

(800) 424-3334  
cofcu.org





PO Box 9997 | Alexandria, VA 22304  
703.823.5211 | 800.424.3334 | cofcu.org



Federally Insured by NCUA



designed & printed by visions, ink. 400374 5/20