

SCENIC COMMUNITY™

CREDIT UNION

————— 2020 ANNUAL REPORT —————



AGENDA | MAY 20, 2021

OUR MISSION

We advance financial peace of mind within our community.

MANAGEMENT

Kendall G. Foster, CEO
Brenda Edwards, Chief Operations Officer
Gwen Hood, Controller
Julie Raines, Chief Financial Officer
Rodney Selcer, Chief Lending Officer

AGENDA

- Roll Call
- Reading of the Minutes from the last Annual Meeting
- Report of Directors
- Report of the Treasurer
- Report of the Loan Committee
- Old Business
- New Business
- Report of the Nominating Committee
- Board of Directors
- Election of Directors
- Drawing of Door Prizes
- Adjournment

2020 BOARD OF DIRECTORS



Allen Neely, Chairman



Bob Mader, Vice Chairman



Stan Hopkins, Secretary/Treasurer



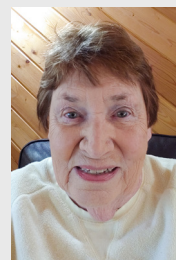
Peter Ensign



Melissa Moore



Joyce West, Alternate Director



Doris Gray, Alternate Director

HIXSON MAIN OFFICE



E. BRAINERD



SODDY DAISY



OOLTEWAH



MINUTES OF ANNUAL MEETING

February 20, 2020

The 67th Annual Meeting of Scenic Community Credit Union was held at 6:33 P.M. on Tuesday, February 20, 2020, at the Gathering Church Activities Center.

Kendall Foster, CEO, welcomed those in attendance to Scenic Community Credit Union's Annual Meeting and asked everyone to stand as he led the pledge of allegiance to our Flag. Mr. Foster then asked George Clark to lead the meeting in prayer.

Chairman Allen Neely asked our corporate attorney Stacie Caraway if she would serve as parliamentarian for the meeting and she agreed to do so.

The Board Secretary declared there was a quorum present and Chairman Allen Neely called the meeting to order and asked for a motion that he might digress from the agenda and conduct the meeting at his discretion. The motion was made, seconded, and carried.

Chairman Allen Neely recognized the following guests:

- Stacie Caraway—Miller & Martin, Attorney
- Daniel Sheets—Henderson, Hutcherson, & McCullough, CPAs
- George Clark—Leadership Coach/Consultant
- SCCU Associates
- Kendall Foster (CEO)
- Current and past volunteers
- All Military Veterans, Current Military, and Armed Services

Chairman Allen Neely introduced the Board of Directors to the membership. Members of the Board present were: Allen Neely, Chairman; Stan Hopkins, Secretary; Joyce West, Treasurer; Doris Gray, and Bob Mader. Vice-Chairman John Langworthy, Peter Ensign, and Melissa Moore were absent due to business conflicts. Chairman Neely also shared with the audience that current Board Member Larry Minniear passed away on February 6, 2020.

Old Business: None
New Business: None

Chairman Allen Neely introduced Bob Mader, Chair of the Nominating Committee, who nominated Pete Ensign, John Langworthy, and Melissa Moore for three-year terms. A motion was made and seconded to accept the nominations. There was no dissension to the vote so the motion carried.

A motion was made and carried to dispense with the reading of the minutes of the last (2019) Annual Meeting, as well as the reports of the Board of Directors, the Loan Review Committee, and the Treasurer's Report since they were published in the Annual Report which was distributed to each member present at the meeting.

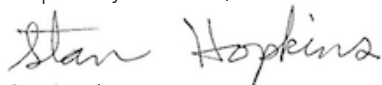
Chairman Allen Neely reviewed some of the changes and improvements to our Scenic Community Credit Union this past year including the new lending products like 30-year mortgage products and Indirect Lending at our local automobile dealerships. He also discussed Online Banking and Bill Pay Enhancements, Believe VISA Credit Card, college student loans, Apple Pay, Samsung Pay, and Android Pay. He also reminded the members that SCCU always needs volunteers like board members, committee members, etc. to help during the year.

Chairman Allen Neely asked for a motion to adjourn the Business Meeting. The motion was made, seconded and carried and the Business Meeting was adjourned at 6:36 P.M.

The drawing for the door prizes was conducted by Chairman Allen Neely. Bryson, a youth from the audience, was selected to assist him. The prizes were: One 50 inch 4K TV, Two Echo Dots, a One Year Family Membership to the Tennessee Aquarium, One Apple Watch, One Fitbit Versa Two, and twenty \$20.00 envelopes.

Chairman Allen Neely urged members present to use Scenic Community Credit Union for all their financial needs and expressed appreciation for those attending the meeting. With no further business, the meeting was adjourned at 7:02 P.M.

Respectfully submitted,



Stan Hopkins
Secretary

CHAIRMAN & CEO'S REPORT

If 2020 taught us anything, it was that no amount of planning can fully prepare us for a full fledged pandemic. We are living in unprecedented times as the United States and the world continues to focus and respond to ongoing developments related to the coronavirus (COVID-19). We continue to stay informed and continually prioritize actions that protect the health and safety of our members, employees, partners and our community. As part of our country's social distancing efforts to help prevent the spread of COVID-19 we closed our lobbies at noon on Thursday, March 19 and sent some staff to work from home. We were able to serve our members by phone, through our drive thru lanes, home banking and mobile banking – including electronic deposit of checks. Our members also had access to over 30,000 CO-OP ATMS nationwide along with over 5,400 CO-OP Shared Branching locations in all 50 states. We were available to make loans through our website, www.mysccu.com, as well as at our network of local auto dealerships. Getting adjusted to the new normal was not easy for our staff or our members, but we got through this together and what we learned will make your Credit Union better.

After much research and planning, we were able to re-open our lobbies on Wednesday, July 1. In an effort to keep everyone safe, we installed Personal Protection Equipment and supplied face masks and hand sanitizer to our office staff. During this new normal, we found that we needed to improve some of our products to enhance our members' experiences and safety. Effective January 2021 we started sending out our new "Contactless" Debit and Credit Cards to those members whose cards were expiring in January 2021 and over time all SCCU card carrying members will have these new cards. The Contactless card will allow our members to use their plastic card with less need to touch a machine. Also, in February 2021 we rolled out our new Home Banking Platform as well as our new Mobile Banking App. Both will offer improved ease of use and the mobile app will be able to be used on all hand held devices.

Additionally, rest assured that Scenic Community Credit Union remains financially strong and stable and will continue to be here when you need us most. Our consistent financial strength and capital position are signs that we are well positioned to navigate this storm. We will continue to offer our members the best products and services possible while keeping in compliance with state and federal regulations, which govern our operations. Your Credit Union received another Five-Star Superior rating from Bauer Financial, www.bauerfinancial.com, in January 2021 and our members voted SCCU a Finalist for Best of the Best Credit Union in 2020 in the Chattanooga Times Free Press Readers' Poll. Thank you for your continued vote of confidence!

For the Board of Directors, volunteers and staff, we thank the membership for the opportunity to be your financial partner. Please tell your family members, friends and neighbors about your Credit Union and encourage them to join our family of Credit Union members.

Respectfully submitted,

Allen Neely
Allen Neely
Chairman

Kendall G. Foster
Kendall G. Foster
CEO



Allen Neely, Chairman



Kendall Foster, CEO



Branch staff decorated their drive thru windows to thank members for their cooperation and flexibility while lobbies were closed.

LOAN COMMITTEE REPORT

The 2020 year-end loan portfolio balance including credit cards was \$90.60 million. Allowance for Loan Losses was \$230,546 at year-end making our total Net Loans to Members \$90.37 million. New funds advanced in 2020 to our Members totaled \$44.80 million. Net growth in indirect vehicle loans and home equity line of credit balances helped offset the monthly payments and loan payoffs which resulted in a net increase in our Credit Union's loan portfolio of \$3.08 million. The net increase in outstanding loan balances equated to a positive 3.52% annual loan growth for the year. The Loan to Share Ratio at year-end was 76.73%. The gross annualized loan interest rate yield was 4.17% which is a 47-basis point decrease from 2019. The decrease in yield is a result of low interest rates and a rollover of loan dollars to lower interest rates.

Our loan quality remains good with loan delinquency at 0.55% of outstanding loan balances. Total delinquent dollars were \$497,214 at year-end. This was a decrease over year-end 2019. Our delinquency ratio continues to remain below that of our peer group. The total dollar amount of loans written down and charged-off in 2020 was \$266,201. We recovered during the year a total of \$79,369 in previously charged-off loan balances. The net charge-off (after recoveries) was \$186,832. Our Credit Union's net charge-offs to average loans ratio was a low 0.23% which is below what our peers report.

SCCU participated in the Small Business Administration Paycheck Protection Program (PPP). During 2020, we assisted twenty-two (22) small businesses in receiving PPP loans totaling \$413,707.

SCCU's Indirect Lending Department continued to do well during 2020 despite the effects of the COVID virus on vehicle sales. SCCU offers financing for new and used vehicle purchases directly at the participating dealerships within our community. Eighty-six percent (86%) of the vehicle loans we financed through our Dealer Program in 2020 were to a new member for SCCU. Our current Automobile Dealership Partners can be viewed on SCCU's web site under the loans tab.

We continue to offer various residential mortgage products with 7 Mortgage Company, a Credit Union Service Organization (CUSO) located in Knoxville, TN. This financial relationship allows SCCU to offer various residential mortgage products to our Members. We also offer a Home Equity Line-of-Credit product through our Branch locations. Visit SCCU's web site, MySCCU.com, to see all the mortgage products we offer our Members.

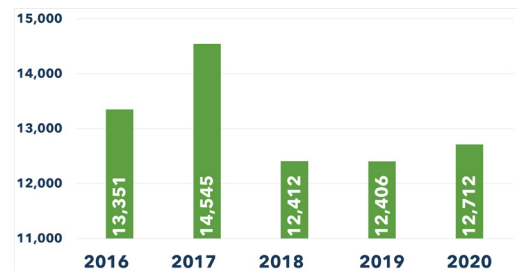
Our goal in 2021 and beyond continues to be "top of mind" for our Members when you consider financing a vehicle, purchasing a home, or getting a home equity line-of-credit. We encourage our Members to get pre-approved for your loan with SCCU when considering purchasing a vehicle or residential property. Please contact us by telephone, internet via SCCU's website or come in to see us at any of our branch locations. We would appreciate the opportunity to sit down with you and discuss your financial needs.

Respectfully submitted,

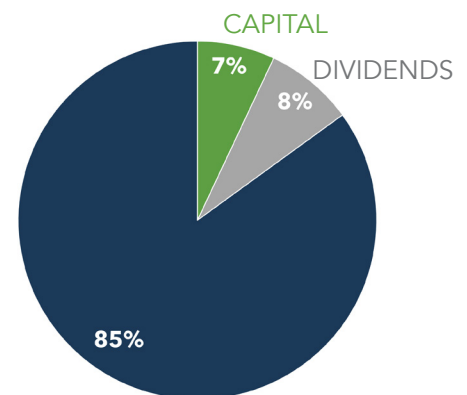


B. Rodney Selcer
Chief Lending Officer
NMLS # 593712

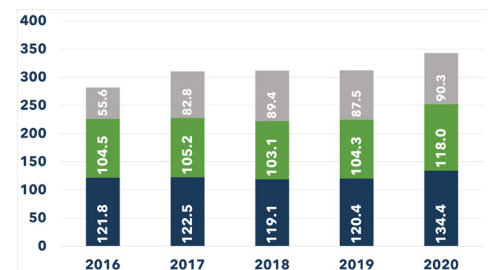
MEMBERSHIP



DISTRIBUTION OF INCOME



OPERATING EXPENSES



MILLIONS OF DOLLARS

■ ASSETS ■ MEMBERSHIP SAVINGS ■ OUTSTANDING MEMBERSHIP LOANS

TREASURER'S REPORT

In March, the U.S. Federal Reserve reduced its fed funds target rate by 1.50% ending the year at 0.25%. Due to the pandemic, interest rates are expected to remain low for an extended period, at least through 2023. This reduction in interest rates had a large impact on Scenic Community Credit Union. The reinvestment rates on investments (Certificates of Deposit) were some of the worst SCCU has experienced. SCCU started the year with an investment portfolio average rate of return of 2.03% and ended the year with an average rate of return of 0.90% and is expected to continue to decline in 2021. SCCU's loan portfolio increased 3.52% in 2020. The loan portfolio was \$87.5 million at year end 2019 and increased to \$90.6 million at year end 2020. Even through the pandemic, the delinquency and charge-offs remain low and are in line with peers at 0.55% and 0.23% respectively. SCCU added 306 net new members in 2020 ending the year with a total of 12,712 members. Assets increased from \$120.4 million at year end 2019 to \$134.4 million at year end 2020. The biggest contributor to the \$14 million increase was from shares. The shares increased due to the Economic Impact Payments (stimulus) received in March and April 2020. These funds have remained in shares in spite of continued consumer spending. SCCU achieved an operational return on assets (ROA) of 0.29% for the year.



Stan Hopkins, Treasurer

The National Credit Union Administration (NCUA) insures accounts up to \$250,000 at SCCU through the National Credit Union Share Insurance Fund, which was established by Congress in 1970 to insure members' shares. The Share Insurance Fund is backed by the full faith and credit of the United States Government. IRAs are insured up to \$250,000 separately from other accounts.

The Tennessee Department of Financial Institutions, SCCU's regulatory agency in Tennessee, has adopted the net worth ratio, set as an industry standard by NCUA as a measure of financial strength. SCCU's net worth to asset ratio for December 31, 2020 was 11.79%, well above the 7.00% ratio established as the minimum allowable capital level for "well capitalized credit unions" by the NCUA.

To ensure accuracy in reporting, the Audit Committee (which consists of members of the Board of Directors) performed cash and compliance audits on the records and operations of SCCU, and the Loan Review Committee (which consists of volunteers appointed by the Board of Directors) performed monthly audits on loans, selected at random. All audits reflected that SCCU complied with applicable state and federal laws and the regulations of the Tennessee Department of Financial Institutions and the National Credit Union Administration, as well as the Credit Union's bylaws and policies. Oversight of these audits fulfills the duties and responsibilities of the Board of Directors as it relates to the statutory and regulatory requirement to conduct these audits.

An independent annual audit for the year ending December 31, 2020, was completed by Henderson, Hutcherson & McCullough, CPAs.

It is the opinion of the Board of Directors that these audits and examinations provide reasonable assurance that the financial statements are being properly accounted for and that they present fairly the financial condition of Scenic Community Credit Union.

Respectfully submitted,

A handwritten signature in black ink that reads "Stan Hopkins".

Stan Hopkins
Treasurer



Balloons at the Hixson branch drive thru cheered up both members and staff while lobbies were closed.

FINANCIAL STATEMENT YEARS ENDING DECEMBER 31, 2019 AND 2020

BALANCE SHEET	2019	2020
ASSETS (What We Own)		
Cash	2,006,019	1,936,104
Investments	27,573,225	38,886,391
Member Loans	80,184,489	82,899,506
Member Business Loans	7,338,362	7,705,096
Other Assets	3,334,781	2,963,167
TOTAL ASSETS	120,436,876	134,390,264
LIABILITIES AND NET WORTH (What We Owe and Have in Reserve)		
Member Shares	39,226,963	47,663,333
Share Drafts	17,737,663	23,795,116
Share Certificates	22,952,786	18,600,813
Shares Daily Money Manager	24,434,123	28,021,184
Accrued Interest Payable	7,596	3,029
Other Liabilities	611,982	462,789
Reserves	15,465,763	15,844,000
TOTAL LIABILITIES AND NET WORTH	120,436,876	134,390,264
INCOME & EXPENSES		
INCOME (What We Receive)		
Interest Earned on Loans	4,182,406	4,221,957
Interest Earned on Investments	460,063	387,436
Other Income	1,016,098	1,061,833
TOTAL INCOME	5,658,567	5,671,225
EXPENSES (What We Spent)		
Compensation and Benefits	2,088,171	2,086,039
Professional and Outside Services	373,478	365,058
Office Operations	892,296	910,326
Office Expenses	1,517,061	1,461,273
TOTAL OPERATING EXPENSES	4,871,006	4,822,696
INCOME BEFORE DIVIDENDS	787,561	848,530
DISTRIBUTION OF EARNINGS		
Dividends and Interest	745,697	469,952
Net Income	41,864	378,577
TOTAL DISTRIBUTIONS	787,561	848,530

SCENIC COMMUNITY™

CREDIT UNION

VISIT US

MAIN OFFICE

4503 Hixson Pike
PO Box 1058
Hixson, TN 37343

SODDY DAISY OFFICE

8821 Consolidated Drive
Soddy Daisy, TN 37379

E. BRAINERD OFFICE

7550 East Brainerd Road
Chattanooga, TN 37421

OOLTEWAH OFFICE

9227 Lee Highway
Ooltewah, TN 37363

ALL OFFICE HOURS

Monday - Friday 9:00am - 5:00pm
Saturday 9:00am - 1:00pm

CONTACT US

PHONE

(423) 875-6955

TOUCH TONE TELLER

(423) 875-4031

WEBSITE

www.MySCCU.com

We look forward to serving you!



ACCOUNTS

Certificates
Checking
 Basic Share Draft
 Member Plus Share Draft
 Member Select™ Share Draft
Christmas Club
IRAs
Money Manager
Savings

ACCOUNT SERVICES

Certified Checks
Courtesy Pay Overdraft Protection
Direct Deposit
Contactless Debit Card
Member Select Line of Credit
Money Orders
Notary Service & Medallion Signature Guarantee
Payroll Deduction
Share-to-Share Transfer Overdraft Protection
VISA Everyday Spend Card (Reloadable Card),
 Gift Cards, Travel Card
VISA Classic, VISA Gold, & Children's Hospital
 Contactless Credit Cards
Wire Transfers

LOANS

Home Equity Lines of Credit
Mortgage Loans - Residential
Motorcycles - New and Used
Personal Loans
Personal Watercraft - New and Used
Recreational Vehicles - New and Used
Unimproved Property Loans
Vehicle Loans - New and Used
VISA Credit Cards and Balance Transfers

ELECTRONIC SERVICES & ACCESS

Apple Pay, Samsung Pay, Android Pay
Bill Pay and Person-to-Person Transfers
Card Alerts and Account Alerts
eStatements
Online Banking, including Loan Pay Express
Loan Calculators
Mobile Banking App (iOS and Android)
Remote Deposit
Touch Tone Teller
Night Deposit
Fee-Free Withdrawals at CO-OP ATMs (over
 30,000 locations nationwide)
CO-OP Shared Branch Network (over 5,400
 Shared Branches nationwide)