

SCENIC COMMUNITY™

CREDIT UNION

2022 ANNUAL REPORT



AGENDA | MARCH 23, 2023

OUR MISSION

We advance financial peace of mind within our community.

MANAGEMENT

Kendall G. Foster, CEO
Brenda Edwards, Chief Operations Officer
Tami Powroznik, Compliance Officer
Julie Raines, Chief Financial Officer
Rodney Selcer, Chief Lending Officer

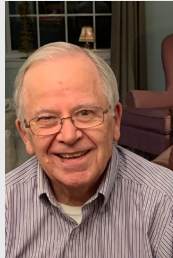
AGENDA

- 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
- Report of the Nominating Committee
- Election of Directors
- New Business
- Drawing of Door Prizes
- Adjournment

2022 BOARD OF DIRECTORS



Allen Neely, Chairman



Bob Mader, Vice Chairman



Stan Hopkins, Secretary/Treasurer



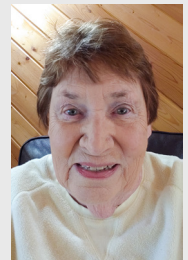
Peter Ensign



Wayne Denham



Joyce West, Alternate Director



Doris Gray, Alternate Director

HIXSON MAIN OFFICE



E. BRAINERD



SODDY DAISY



OLTEWAH



MINUTES OF ANNUAL MEETING

March 24, 2022

The 69th Annual Meeting of Scenic Community Credit Union was held at 6:39 P.M. on Thursday, March 24, 2022, at the Gathering Church Activities Center.

Board Chairman Allen Neely welcomed those in attendance to Scenic Community Credit Union's Annual Meeting. He then asked Stan Hopkins to lead the meeting in prayer. A dinner snack was then served to everyone.

Board Chairman Allen Neely asked our corporate attorney David Kesler if he would serve as parliamentarian for the meeting and he agreed to do so.

Board Secretary Stan Hopkins 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 Neely recognized the following guests:

David Kesler—Miller & Martin, Attorney

Daniel Sheets—Henderson, Hutcherson, & McCullough Audit Firm, CPA's

SCCU Associates

Current Board Members:

Allen Neely-Chairman, Bob Mader-Vice Chairman, Stan Hopkins-Secretary/Treasurer, Peter Ensign, & Melissa Moore. Also attending were Alternate Board Members Joyce West and Doris Gray. (Pete Ensign & Melissa Moore were unable to attend)

Kendall Foster (CEO)

Current and past volunteers. (Former Board Member Buddy Stone passed away last year)

All Military Veterans, Current Military, and Armed Services

Chairman Neely then asked for a motion to dispense with the reading of the minutes of the last (2021) Annual Meeting, as well as the reports of the Board of Directors, The Loan Committee, and the Treasurer's report since they are published in the annual Report which each member received this evening. Motion was made, seconded, and carried.

Old Business- None

New Business- None

Chairman Neely introduced Joyce West, Vice-Chair of the Nominating Committee, who nominated Stan Hopkins and Bob Mader to be elected to 3-year terms and Wayne Denham to be elected to the 1-year term to replace Board Member Melissa Moore who resigned recently. A motion was made and seconded, to accept the nominations. There was no dissension to the vote, so the motion carried.

Chairman Neely reviewed some of the changes and improvements to our Scenic Community Credit Union this past year including:

- Converted our Home Banking and Mobile Banking App
- Converted to Contactless Debit and Credit Cards

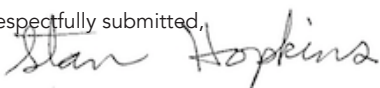
Chairman Neely announced our purchase of a closed bank branch at 8171 East Brainerd Road in August of 2021. The construction contract has been signed and work is to begin very soon. We expect to open this new Flagship Branch in August 2022.

Chairman Neely reminded everyone that our Credit Union always has volunteer positions available, which includes Board members. Chairman Neely asked for a motion to adjourn the Business Meeting. The motion was made, seconded, and carried and the Business Meeting was adjourned at 6:56 P.M.

The drawing for the door prizes was conducted by Chairman Allen Neely with assistance from Bryson, a youth volunteer from the audience. The prizes were: one 32-inch Smart TLC TV, one ten-inch Facebook Portal, two 2nd Gen Google Nest Hubs, and twenty \$20 cash prizes.

Chairman Neely urged members present to use Scenic Community Credit Union for all their financial needs and expressed appreciation for those attending the meeting. The meeting was adjourned at 7:15 P.M.

Respectfully submitted,



Stan Hopkins
Secretary

CHAIRMAN & CEO'S REPORT

The long-awaited post-pandemic reality is upon us, and our country is now a very different place. Over the past couple of years, we have witnessed a global pandemic, ongoing economic and supply chain pressures, record inflation, and widespread pricing pressures. The Federal Reserve raised rates 425 Basis Points (4.25%) in 2022 to 4.25% - 4.50%, the highest since 2007. We expect more rate increases in 2023. These increases are good for our saving members who have dealt with a low-rate environment for many years. But the same is not true for our borrowing members, who have seen loan rates rise steadily in 2022. We want your Credit Union to be the place you look to for your financial needs - that is why we strive to keep our saving rates as high as possible and our loan rates as low as possible to help all of our members.

As your Credit Union continues to expand our services, your Board of Directors continue to look for ways to position SCCU for continued growth. With this in mind, we celebrated our East Brainerd Branch's 25th year anniversary by opening a new East Brainerd location at 8171 East Brainerd Road. We opened this new branch on September 28, 2022, and held our Grand Opening Celebration and ribbon cutting ceremony on October 20, 2022. This new SCCU location offers our members an Internet cafe, a beverage bar, as well as video chat technology in the drive-through windows. We are right where you need us. Visit one of our SCCU Branches, in one of our more than 5,400 CO-OP Shared Branch locations, accessing one of over 30,000 CO-OP ATMS, using our Online Banking and Mobile Apps, or at one of our Preferred Auto Dealers.

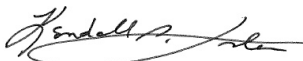
As always, the Board of Directors and management work to keep your Credit Union a safe, sound, and responsible full service financial institution. Our capital position is strong, and your deposits are federally insured by the National Credit Union Administration. We will continue to offer you, our member/owners, the best products and services as are possible while keeping in compliance with state and federal regulations, which govern our operations. Scenic Community Credit Union received another five-star superior rating from Bauer Financial, www.bauerfinancial.com, in January 2023. We also were nominated in the Top 3 for the 2022 BBB Torch Award for Marketplace Ethics based on Character, Culture, Customers, and Community. Our members voted SCCU a Finalist for the 2022 Best of the Best Credit Union in the Chattanooga Times Free Press Readers' Poll. Thank you for your continued vote of confidence.

From the Board of Directors, volunteers, and staff, we thank the membership for the opportunity to be your financial partner. Please tell your family, friends, and neighbors about your Credit Union, and encourage them to join our family of Credit Union members. Together we can make a difference in the financial wellbeing of our members - our members are Scenic Community Credit Union.

Respectfully submitted,



M. Allen Neely
CHAIRMAN



Kendall G. Foster
CEO



Allen Neely, Chairman



Kendall Foster, CEO



East Brainerd Branch Grand Opening Ribbon Cutting.

LOAN COMMITTEE REPORT

The 2022 year-end loan portfolio balance including credit cards was \$105.16 million. Allowance for Loan Losses was \$259,197 at year-end making our total Net Loans to Members \$104.90 million. New funds advanced in 2022 to our Membership totaled \$65.84 million. Annual loan growth for 2022 was budgeted to be flat year-over-year. Investing in our community and specifically in the underserved community by loosening our consumer underwriting guidelines during 2022 resulted in a net increase in our Credit Union's loan portfolio of \$19.21 million. The net increase in outstanding loan balances equated to a positive 22.34% annual loan growth for the year. The Loan to Share Ratio at year-end was 80.96%. The average Loan to Share Ratio of our Peer Group was 67.59%. The gross annualized loan interest rate yield was 5.29% which is a 42-basis point increase over 2021.

The overall risk within our loan portfolio increased in 2022 as a result of our Credit Union taking on more risk in consumer loans. The loan delinquency ratio was 1.16% of outstanding loan balances. Total reportable delinquent dollars were \$1,221,128 at year-end. This was an increase from year-end 2021 and our delinquency ratio presently exceeds our peer group. The total dollar amount of loans charged-off in 2022 was \$317,263. We recovered during the year a total of \$66,757 in previously charged-off loan balances. The net charge-off (after recoveries) was \$250,506. Our Credit Union's net charge-offs to average loans ratio was 0.28%. Bankruptcies and deficiency loan balances on vehicles repossessed and sold continue to make up a large portion of the loan balances charged-off.

SCCU's Indirect Lending Department continued to produce most of the consumer loans and new membership accounts during 2022. SCCU offers financing for new and used car purchases directly at the participating dealerships within our community. Eighty-seven (87%) of the vehicle loans we financed through our Dealer Program in 2022 were to a new member for SCCU. Our current Automobile Dealership Partners can be viewed on SCCU's web site under the Borrow tab.

We continue to have a strong mortgage loan relationship 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, www.MySCCU.com, to see all the mortgage products that we offer our Members.

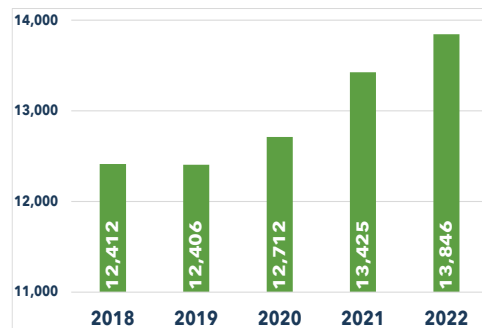
We encourage our Members to get pre-approved for their loan with SCCU when considering purchasing a vehicle or residential property. Please contact us by telephone, internet via SCCU's website or come in to see us at any of our branch locations. We would appreciate the opportunity to sit down with you and discuss your financial needs.

Respectfully submitted,

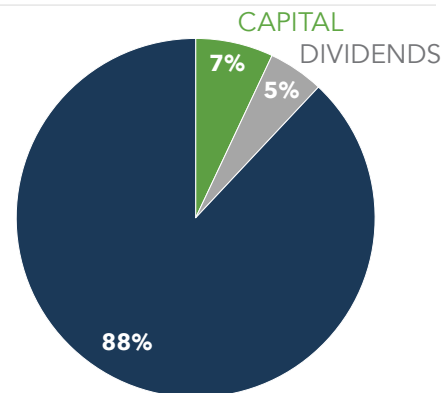


B. Rodney Selcer
Chief Lending Officer
NMLS # 593712

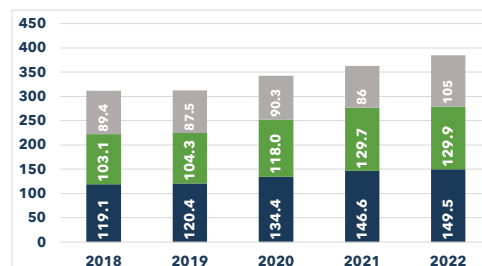
MEMBERSHIP



DISTRIBUTION OF INCOME



OPERATING EXPENSES



MILLIONS OF DOLLARS

■ ASSETS ■ MEMBERSHIP SAVINGS
■ OUTSTANDING MEMBERSHIP LOANS

TREASURER'S REPORT

The U.S Federal Reserve raised the funds target rate 425 basis points in 2022 ending the year at 4.50%. This is the highest it has been since 2007. The increase in interest rates is expected to continue in 2023. The lending portfolio continued to grow despite increasing loan rates. The increase helped the Credit Union's yield on loans. For Indirect loans, the average yield at year end was 5.53%. The average yield on direct loans was 4.76%. This is an increase over 2021 of 0.36% and 0.46% respectively. SCCU's loan portfolio increased by 22.34% year over year. The gross loan portfolio was \$85.9 million at year end 2021 and increased to \$105.1 million, before allowance for loan losses, at year end 2022. The largest increase in the loan portfolio was with the Indirect loans with an annual increase of 30.49%. The increase in loans in 2022, specifically in lower credit loans, caused an increase in delinquency and charge-offs. At year end 2021 the delinquency ratio was 0.17% and increased to 1.16% at year-end 2022. The Charge-off Ratio for 2022 was 0.28% which is slightly above peer at 0.19%. SCCU added 421 net new members in 2022 ending the year with a total of 13,846 members. Assets increased from \$146.6 million at year end 2021 to \$149.5 million at year end 2022. Total shares increased \$175K year over year ending 2022 at \$129.9 million. SCCU achieved an operational return on assets (ROA) of 0.30% 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, 2022, was 11.23%, 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 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 law and the regulations of the Tennessee Department of Financial Institutions and the National Credit Union Administration, as well as the Credit Union By-laws 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, 2022, is presently being conducted by Henderson, Hutcherson & McCullough, CPA's.

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 cursive script that reads "Stan Hopkins".

Stan Hopkins
Treasurer



Ooltewah Branch Toy Donation to Forgotten Child Fund.

FINANCIAL STATEMENT

YEARS ENDING DECEMBER 31, 2021 AND 2022

BALANCE SHEET	2021	2022
ASSETS (What We Own)		
Cash	1,690,970	1,564,492
Investments	55,313,125	37,102,654
Member Loans	80,745,903	101,334,627
Member Business Loans	4,949,519	3,568,375
Other Assets	3,879,657	5,887,733
TOTAL ASSETS	146,579,174	149,457,881
LIABILITIES AND NET WORTH (What We Owe and Have in Reserve)		
Member Shares	55,849,816	58,001,527
Share Drafts	25,609,194	26,462,202
Share Certificates	17,371,743	15,516,904
Shares Daily Money Manager	30,891,488	29,917,013
Accrued Interest Payable	3,114	43,810
Other Liabilities	516,127	2,733,244
Reserves	16,337,692	16,783,181
TOTAL LIABILITIES AND NET WORTH	146,579,174	149,457,881
INCOME & EXPENSES		
INCOME (What We Receive)		
Interest Earned on Loans	3,976,332	4,876,277
Interest Earned on Investments	349,409	273,441
Other Income	1,154,810	1,341,710
TOTAL INCOME	5,480,551	6,491,428
EXPENSES (What We Spent)		
Compensation and Benefits	2,100,579	2,405,570
Professional and Outside Services	389,409	356,480
Office Operations	951,089	1,098,765
Office Expenses	1,274,304	1,844,553
TOTAL OPERATING EXPENSES	4,715,381	5,705,368
INCOME BEFORE DIVIDENDS	765,170	786,060
DISTRIBUTION OF EARNINGS		
Dividends and Interest	271,486	340,579
Net Income	493,684	445,481
TOTAL DISTRIBUTIONS	765,170	786,060

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

8171 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

Making Financial Peace Possible.



ACCOUNTS

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

ACCOUNT SERVICES

Cashiers 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, Google Pay, Samsung Pay, Android Pay
Bill Pay and Person-to-Person Transfers
Card Alerts and Account Alerts
eStatements
Online Banking, including External Transfers to
 other financial institutions
Loan & Savings 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)