



87 TH

**Annual
Meeting
REPORT
2020**

Mission Statement

KEMBA Louisville Credit Union strives to be our members' primary financial institution, by serving them in a prompt, confidential and efficient manner. Our goal is to enhance our members' fiscal lives with competitive savings and loan products.

Notes from the President's Desk.

Well, looks like we made it! With us beginning to see glimpses of the end of the Pandemic, we'll hopefully see everyone at in May of 2022, for our Annual Meeting Dinner! Let's hope this year is the last of the virtual Annual Meetings!

Even though much has been dormant, we, at the Credit Union, have been diligently meeting your financial needs. Thanks to all the staff, for the perseverance and persistence in coping with all of the Pandemic's issues. Without them, an already "rough patch" might have become unbearable for all! Thanks again!

Our Leader for many years, Don Diebold, retired at year-end. Thank you for all your tireless efforts and hard work over the years to ensure that this cooperative of Kroger Families helping Kroger Families continues to grow and prosper!

In 2020, not only were our health and safety threatened, but, with so many isolated, no vacations, no need for new vehicles, or undertaking other projects, lending was down significantly at the credit union. Our primary function is to prudently lend to Kroger Family borrowers from our Kroger Family Savers. And, to be honest, the savers greatly outnumbered the borrowers! But we all can help!

Think of KEMBA Louisville first, for all of your Lending or Savings needs! By working together, we can all ensure that the future is bright!

As we emerge from COVID-19, the credit union has embarked on several changes, in an effort to make your credit union experience the best it can be. Later this year, the credit union is upgrading its computer system, including audio banking, virtual banking, a mobile app, and remote deposit capture. Also, the credit union will unveil a new website, along with a financial literacy app, where you can earn gift card prizes by accumulating enough points. Where else can you go, and get "paid" to learn?

Finally, I want to thank you for the warm welcome, and your support, since I've arrived at KEMBA Louisville CU. My goal is to continue the good works, and ensure the credit union remains successful!

Timothy A Head, CEO/President

TREASURER'S REPORT
COMPARATIVE FINANCIAL STATEMENT

	December 31, 2020	December 31, 2019
ASSETS		
LOANS TO MEMBERS (NET)	\$15,451,066	\$16,285,010
INVESTMENTS (NET)	\$43,437,069	\$35,436,672
CASH	\$932,290	\$732,200
LAND, BUILDING & EQUIPMENT	\$406,713	\$360,981
OTHER ASSETS	\$86,570	\$92,996
TOTAL	\$60,313,708	\$52,907,859
LIABILITIES & MEMBER EQUITY		
SHARES	\$25,403,839	\$21,587,424
SHARE DRAFT CHECKING	\$11,372,713	\$8,405,282
SHARE CERTIFICATES	\$8,860,571	\$8,569,402
IRA	\$3,349,629	\$3,146,125
CHRISTMAS CLUB	\$126,323	\$137,148
ACCOUNTS PAYABLE	\$230,166	\$297,099
DIVIDENDS PAYABLE	\$49,119	\$89,569
EQUITY	\$10,840,652	\$10,675,810
OTHER LIABILITIES	\$80,696	\$0
TOTAL	\$60,313,708	\$52,907,859
INCOME STATEMENT		
OPERATING INCOME		
INTEREST ON LOANS (NET)	\$1,184,455	\$1,236,164
INVESTMENT INCOME	\$693,054	\$763,938
OTHER INCOME	\$381,169	\$436,655
TOTAL	\$2,258,678	\$2,436,757
OPERATING EXPENSES		
SALARIES & BENEFITS	\$801,820	\$793,561
PROFESSIONAL SERVICES	\$235,383	\$226,254
OFFICE OPERATIONS	\$689,272	\$712,872
PROVISION FOR LOAN LOSSES	\$110,000	\$138,000
TOTAL	\$1,836,475	\$1,870,687
DIVIDENDS PAID TO MEMBERS	\$257,361	\$288,647
NON OPERATING EXPSE		\$0
NET INCOME	\$164,842	\$277,423
STATISTICS		
MEMBERS		4952
LOAN ACCOUNTS		2166
AVERAGE SAVINGS PER MEMBER		\$9,918
AVERAGE LOAN BALANCE		\$7,133

Secretary's Report

KEMBA Louisville Credit Union

Minutes of the 86th Annual Membership meeting of the KEMBA Louisville Credit Union, held on October 21st, 2020, at KEMBA Louisville Credit Union, 4017 Poplar Level Road, Louisville, KY, 40213 and for those unable to attend due to Covid-19 restrictions, by ZOOM invitation to attend virtually.

Norman Markert, Board Chairperson, welcomed all members and guests present.

Mr. Markert asked for ten seconds of silence in memory of KEMBA members who have died during the past year.

Meeting was called to order at 4:15 PM.

Business Meeting: (As required by by-laws)

Establish a quorum is present. Board Secretary Steve Wine stated that 20 members and 1 guest were present for the business meeting.

A copy of the minutes of the 2019 Annual Meeting had been distributed to all present at the time of sign in. There were no comments, questions, additions or corrections. Norm Markert asked for a motion that the reading of the minutes be dispensed with and that they be approved as presented. Motion made by Frank Polion, second by Mark Edwards was made to dispense with the reading. Motion was approved by consensus with none opposed.

A copy of the reports of the Board of Directors, Treasurer, Credit Manager and Supervisory Committee for the 2019 operations were also distributed to all in attendance at sign in. Norm Markert asked for a motion to dispense with the reading of these reports. Motion by Mark Edwards, second by Cindy Howard was made to dispense with the reading. Motion was approved by consensus with none opposed.

Old Business – Board Secretary Steve Wine reported to all in attendance that there was no old business for review.

New Business –

Election of officers: Norm asked Joe Cordaro to present the nominating committee report. The nominating committee consisted of Joe Cordaro (Chairman), Cindy Howard and Norm Markert. Joe reported that both incumbent board members, Tom Stokes and Steve Wine, had agreed to run for reelection to a 3-year term. The nominating committee reported no additional members expressed interest in running for the board.

After presenting the nominating committee report, Joe Cordaro turned control of the meeting back to Norm Markert.

There being only one member nominated for each position open, Norm Markert requested that the two candidates be elected by general consent. All members present approved by general consensus the two nominees for the Board of Directors. There were none opposed. Tom Stokes and Steve Wine are elected to 3-year terms by general consensus.

Congratulations to Tom and Steve.

Norm Markert asked if there was any additional new business to discuss. There was no additional business at which time Norm declared the business meeting adjourned.

Meeting adjourned at 4:21 P.M.

Norm thanked all for attending and to have a safe drive home.

Board of Directors Report

As with the rest of the world, 2020 was a year that was challenging for KEMBA. Net income for the year ended at \$164,841.60. While the Pandemic raised havoc across the globe, our members continued to excel as society's essential workers, and we, at the credit union, remained vigilant in assisting our members achieve financial success. With the economy virtually coming to a screeching halt, dividend rates, as well as investment yields for the credit union, continue to trend downward. Our savings rate went up dramatically (17.7%), while our loans declined (5.2%). This trend will, in all likelihood, continue, until we begin to see an end to the Pandemic. In 2021, generating net income will remain challenging. One of the credit union's most important virtues is its equity strength. The credit union's "rainy day fund" allows us to withstand any income difficulties, and allows us to plan for the future. You can also help! Encourage your friends and family to check with us before making that big purchase, or just to get a little extra for vacation. Here, at KEMBA Louisville CU, we are here to assist our members, now, more than ever before! "Kroger Families" helping Kroger "Families."

The Credit Union would be remiss without congratulating Don Diebold, CEO/President, in his retirement. Also, the Credit Union would like to congratulate long-time associate, Judy Graham, in her retirement, as well. Their retirements are well deserved, and they will be greatly missed. Enjoy this new chapter in your life!

KEMBA continues to participate in shared branching as an option for all members across the state. Shared branching allows members traveling all over the United States access to their funds at no cost to you. There are Shared Branching Service Centers and Outlets throughout the country, especially in the Southeast. Members continue to have free access to 5/3 ATM machines as well as ATM's through the Alliance One Network. We want access to be as convenient as possible for all our members.

Financial Standards Group completed the Supervisory Audit, and no significant operating issues were noted. Financial Standards Group continues to perform quarterly audits, including Bank Secrecy Act and Safe Act audits to assure compliance as needed. FSG also conducted ACH audit in 2020 and found that KEMBA follows safe and sound practices in this area of member services.

KEMBA continues to support charitable endeavors both on a personal level as well as through donations from the credit union. We support the Louisville Chapter projects. Donations also were made to the American Heart Association, Shriner's Circus appeal and Special Olympics and Crusade for Children. Other donations were made to St Jude Hospital as well as Holy Family Church as a corporate picnic sponsor. We also contributed to Dare to Care, Salvation Army and the Louisville Police drive to "Clothe a Kid". Our management and staff contribute of their own resources for Heart Walk and Juvenile Diabetes research.

As we emerge from the Pandemic, KEMBA has many exciting changes in store. Last year's system update was put on hold due to COVID-19. This will be completed in late summer. Included in this upgrade are improvements in the Mobile app, home banking, remote deposit capture, and our loan processing system. Later this fall, we hope to roll out our renovated website, making it easier, and

safer than ever, to keep informed! Also, keep an eye out for our new financial literacy app, where it will be fun to improve your financial skills by earning gift cards. *Earn while you learn!*

Thank you for your continued support. We want to be your primary financial institution. We welcome feedback from all members. Together we can help with your present borrowing needs and your savings needs for a secure future.

Norman Markert, Chairperson
Mark Edwards, Vice-Chairperson
Steve Wine, Secretary
Joe Cordaro, Treasurer
Frank Polion, Director
Tom Stokes, Director
Cindy Howard, Director

Supervisory Committee Report

The responsibility of the Supervisory Committee is to assure that the business affairs of your credit union are being properly handled according to state and federal law and within the policies established by the Board of Directors.

The Supervisory Committee is required to perform an annual audit to assure that KEMBA Louisville Credit Union is operated in a manner that conforms to generally accepted accounting principles. The Supervisory Committee approves an outside firm to conduct this annual audit. KEMBA has renewed a three-year contract with Financial Standards Group to complete this annual audit. This renewal guarantees our audit fee for three years through June 30th, 2022. The renewal contract was for the same audit fee as the previous three-year contract, which adds additional value when working with an audit firm that specializes in credit unions. We look forward to continuing our relationship with FSG.

Financial Standards Group performed the most recent audit as of June 30th, 2020. All results were reviewed by both Supervisory members and the Board of Directors with the management team. The audit was also reviewed by the Kentucky Department of Financial Institutions, as well as the National Credit Union Administration examiners. It was determined that the credit union is operating in a safe and secure manner.

Financial Standards Group, Inc. has also been retained to continue to conduct quarterly supervisory audit. On a quarterly basis, FSG continues to review internal controls on many issues to assure procedures are followed in regard to member account maintenance, closures and follow up verification. In addition to review of member accounts, other audit review includes invoices, loans, cash reconciliations and any other issues that can be safety and soundness concerns. No exceptions were noted during these audits.

KEMBA Louisville Credit is also mandated to conduct several specific audits annually. Since it is best to have these audits done by a 3rd party other than internally by staff, KEMBA has FSG perform these as well. Financial Standards Group conducted an Independent Audit of Bank Secrecy Act (BSA), Member Identification Program (MIP) and Office of Foreign Asset Control (OFAC) on January 24th, 2021. The results noted no exceptions.

FSG has been retained to conduct an annual ACH (Automated Clearing House) audit commencing with 2017 and annually in the following years. This audit for 2020 was done as of June 30th, 2020. This is required by financial institutions who settle member financial activity using the ACH network. It was determined that KEMBA is performing these transactions in a secure manner. No exceptions were noted.

KEMBA is required to have all staff, board members and supervisory members attend annual training to assure that the Bank Secrecy Act requirements are being adhered to. This is to assure that issues in regard to potential terroristic activity that involves financial activity are being monitored and reported to appropriate government agencies. This year the training was conducted by Tim Head, who has the BSACS designation. Training certificates were signed and logged for reference during the exam performed by the Kentucky Department of Financial Institutions.

Every two years the Supervisory Committee does an account verification. The Supervisory Committee conducted an account verification in 2019 as of the end of the second quarter. The next account verification will be conducted after the second quarter of 2021. KEMBA's Supervisory volunteers take a random sample from all statements. These are then controlled by the Supervisory Committee and sent with notice that the statement has been selected by the committee, to assure that all activity was authorized by the account owner. Questions regarding any account discrepancies are redirected to the Chairperson of the Supervisory Committee to assure that issues can be researched, independent of credit union staff. All members are informed of this account audit with statement messages, posting to website and notices sent to store and work locations. We encourage the members to review their personal information to assure accuracy on the statements.

It is the opinion of the Supervisory Committee that the KEMBA Louisville Credit Union is in a sound financial position and the affairs of the credit union are being managed in a business-like manner and in accordance with the requirements of the law.

Chuck Steinmetz, Chair
Nancy Williams, Member
Jeff Hurtgen, Member

Credit Manager's Report

In 2020, lending ground to a virtual halt for a period, and for good reason. Overall, loan volume was down \$1.57 million, and total number of loans were down 877. There are two primary reasons for this.

- (1) The Pandemic;
- (2) While much of the world was isolated, and some unemployed, our members, being considered essential workers, diligently worked, ensuring we all had what we needed, available.

December, however, gave us a reason for optimism, going into the new year. The conventional belief is that, once the country completely re-opens, bent-up loan demand will be released. The credit union will be ready, when this occurs, to take advantage of the opportunity.

The total number of signature loans were down almost 800, with volume down approximately about \$847,000. Comparatively speaking, auto lending remained relatively stable, down slightly, with the credit union financing 3 less new vehicles, and 45 less used vehicles, with volumes down about \$70,000 for new vehicles, and about \$153,000 for used vehicles. Our loan volume for non-purchase money 1st mortgages were up about \$37,000 for 2020. Our 2nd mortgage loans were down by about \$492,000 in 2020.

While signature and auto loans are our forte', it is important to remember that the credit union offers a full range of loan products, whether it be signature, new or used auto, mortgage loans, motorcycles, boats, RVs or home improvements, or share-pledge loans.

The Credit Union will focus on member education over the coming year by developing a member awareness campaign, as well as a financial literacy campaign, emphasizing that, in most cases, your credit union family can assist you in achieving financial success. In the coming months, watch for our new loan promotions and member opportunities.

As a member, even if you're not necessarily looking for a loan, you can help.

- (a) When you are thinking about a loan, look to us first!
- (b) Remind your family members and other coworkers that we are here to help! Kroger associates, family members, Trans Service associates, and their family members, are eligible for membership. As a cooperative, we are here to offer better savings rates and lower loan rates than most.

Don Diebold, Credit Manager – NMLS #1140794
Brian Shean, Loan Officer – NMLS #1134207
Judy Graham, Loan Officer – NMLS #603237
Timothy A Head, Credit Manager – NMLS #2065544