

Financial Review

Second Fiscal Quarter 2020

January 1 – March 31, 2020



Corporate Officers



(Pictured left to right)

Bob Frizzle, CFO

Randy Karnes, CEO

Geoff Johnson, COO/President

On the Back



A Message from the CEO
(continued)

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A Message from the CEO

What a curveball March 23rd was, here in Michigan! Our governor threw that curveball right at the heads of every businessperson with a stay-at-home order, and with it, encouraged all of us to edit our 2020 business plans. Now this is not to say adjustments to 2020 weren't needed or warranted. After all, COVID-19 loomed large and still does. But let's just say that on the 24th, a grand revision was in order.

When you review our numbers from March 31, you'll see we were sitting in a very nice position in relationship to our budget and plan. Almost one million dollars ahead! Nice. The 2020 business year was clearly off to a good start, and six months in it appeared to be clear sailing to another great year and set of dividends for our owners:

- Elective projects were up, and credit union investment was strong across the board as far as our CUSO offerings were concerned.
- While some clients had decided to move on to other processors, the negative impact of their decisions had yet to appear in our numbers. There was still time to attract new clients and owners.

This is two-steps-ahead, one-step-backwards kind of growth, the kind of growth our currently consolidating industry mandates.

- Strong pricing adjustments in the favor of our clients were paying off. Lower prices were putting more money into our clients' income statements so they could expand with additional technical offerings. This was win-win.
- And our focus on the internet retailing of the future was starting to pick up momentum with credit unions across the network: mobile, e-signing, RDC, the anticipation of automated loan modifications, loan offers, etc.

Although we were declared an essential business, on the 24th, just like the restaurants we suddenly found ourselves in a mad dash to change our workplace designs and the working location of up to 70% of our nearly 300 employees. But we were lucky, and timing was everything. It was mid-

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Key Dates

May 7

Quarterly Collections Roundtable

<https://www.cuanswers.com/2020/04/here-comes-the-next-collections-roundtable-17/>

May 14

NCUA Priorities - CU*Answers Response & Recommendations

<https://www.cuanswers.com/2020/04/cuanswers-presents-an-interactive-webinar-on-response-recommendations-for-ncua-priorities/>

June 16-17

CU*Answers Leadership Digital Event

<https://www.cuanswers.com/2020/04/the-cuanswers-2020-leadership-conference-is-changing-to-an-all-digital-event/>



Income Statement

| | YTD March 2020 | Budget YTD |
|---|----------------------|-------------------|
| Income/Revenue | | |
| Total CU*BASE Revenue | 24,575,188 | 23,762,561 |
| Total CNS/iSeries Revenue | 5,173,447 | 4,220,472 |
| Total External Business Revenue | 2,343,644 | 2,115,616 |
| Total Sales | 32,092,279 | 30,098,648 |
| Total Cost of Goods Sold | 8,689,529 | 7,537,716 |
| Gross Margin/Income | 23,402,750 | 22,560,932 |
| Expenses | | |
| Total Employee Expenses | 13,958,464 | 14,059,615 |
| Total Non-Employee Expenses | 5,228,622 | 5,159,285 |
| Total Operating Expenses | 19,187,086 | 19,218,900 |
| Total Other Expenses | (95,550) | - |
| Gross Expenses | 19,091,536 | 19,218,900 |
| Net Income <i>(before taxes and dividends)</i> | 4,311,215 | 3,342,032 |

Stock Value

The book value of Class A ownership shares as of 9/30/19 is \$151,608. Ownership shares sell at \$330,000 or 2.18 times the book value.

Balance Sheet



Current Month
March 2020

Assets

| | |
|-------------------------------|------------|
| Total Cash/On-Demand Deposits | 22,553,076 |
| Total Investments | 613,277 |
| Total Accounts Receivable | 1,156,183 |
| Total Pre-Paid Assets | 4,168,354 |
| Total Fixed Assets | 8,153,146 |
| Total Other Assets | 5,422,692 |

Total Assets **42,066,728**

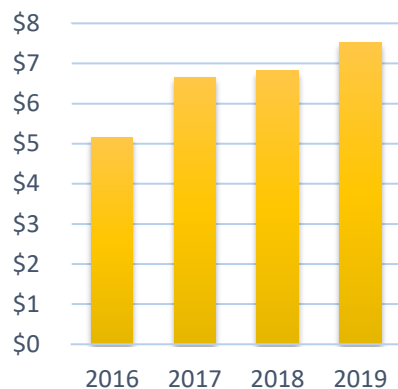
Liabilities & Equity

| | |
|---------------------------------------|-------------------|
| Total Short-Term Liabilities | 10,044,621 |
| Total Long-Term Liabilities | 8,161,000 |
| Total Liabilities | 18,205,621 |
| Total Equity | 23,861,107 |
| Total Liabilities & Equity | 42,066,728 |

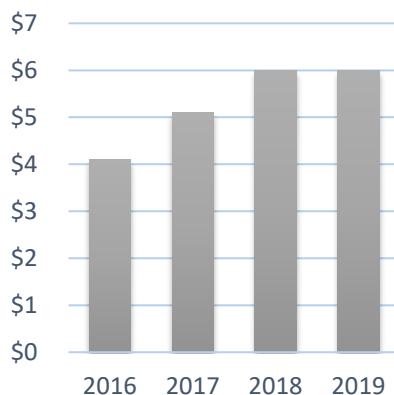
Numbers Snapshot

(Numbers in millions)

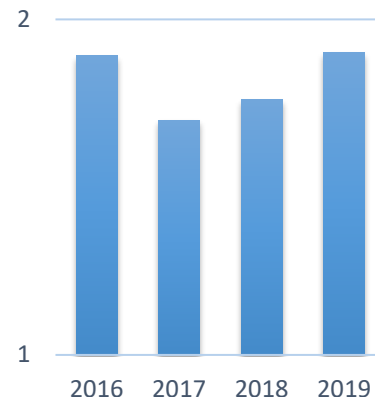
Net Income



Dividends Paid



Members Served



“Taking care of all of our stakeholders as the primary drive for the balance of the year – we will have many things to be proud of and thankful for as a network and cooperative by September 30.”

Randy Karnes, CEO

Continued from cover

year budget revision time, and our normal process to search for the theme of the second half of the year kicked in like it was meant to be.

Tweak the plan a bit to the left, spin the plan a little bit faster, make lemonade out of some short-term considerations, and voila!

- Adjust our discretionary spending down a bit, bank our cost of sales for a year, eliminate travel and most of our entertainment budget – and focus that money on the staff changes and our owner-client needs wherever we can.
- The result is a new forecast to deliver *another big dividend year* by September 30, 2020.

I wouldn't say we have a perfect crystal ball. Certainly the balance of the year could throw us another curveball or two. But if we put our focus where it should be – taking care of all of our stakeholders as the primary drive for the balance of the year – we will have many things to be proud of and thankful for as a network and cooperative by September 30.

While we will not see everybody in June face to face, I look forward to hearing everyone's story at CEO Strategies in November and telling some great stories of our own. I have all the faith in the world in cooperative drive and the fact that we were built to live through the moments our customer-owners have to endure. It is time for cooperatives to shine in the lives of our members – and shine we will.

Yes, on March 23rd the governor delivered the pitch. I can see the seams of the ball spinning as the challenge to swing hurtled toward us all. I now anticipate the crack of the bat as we connect with that challenge, and the roar of the crowd as we deliver. When it is over it will seem like a split second, and we will be on to 2021. Take care, hold on to the hope your members need, and be safe with your community.



Board of Directors



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Press Play



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