



2019 Annual Member Report

Extraordinary Member Service

Benchmark

Federal Credit Union

Financial Solutions for Life's Benchmarks

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WELCOME TO THE 2019 ANNUAL MEMBER MEETING OF BENCHMARK FEDERAL CREDIT UNION

Date: May 26, 2020
Time: 4:30 p.m.
Location: Virtually via Zoom

MEETING AGENDA

- I. Ascertain that a quorum is present (15 or more members)
- II. Review and approval of the minutes from the 2018 Annual Member Meeting held on May 28, 2019
- III. Report to the Membership
- IV. Supervisory Committee Report
- V. Election of Board Directors
 - a. Mark Ward
 - b. Elva Bankins Baxter
 - c. David Harrod
 - d. Adam Lush
- VI. Old Business
- VII. New Business
- VIII. Adjournment

**ANNUAL MEMBER MEETING OF
BENCHMARK FEDERAL CREDIT UNION
MINUTES
May 28, 2019**

The Annual Member Meeting of Benchmark Federal Credit Union was held in the Boardroom of the Main Office, located at 1522 McDaniel Drive in West Chester, PA. President Daniel J. Machon, Jr. started the meeting which was subsequently called to order by Chair Cristine Watrous at 4:30 p.m. after the Secretary, James McLaughlin, established that the thirty-four (34) members present (25 in-person and 9 by teleconference) constituted a quorum.

The following Board members were also present in person or by phone. They were:

Elva Bankins, David Harrod, Adam Lush, Mark Ward, Tiffany Stokes, Michelle Rudzik, James McLaughlin, Mark Bernstein, Daniel J. Machon, Jr., and Cristine Watrous

1. Minutes and Reports
 - a. Following review of the minutes, in a motion duly made and seconded, the minutes of the Annual Meeting held on May 22, 2018 were approved.
 - b. The *Annual Report to the Members and the Supervisory Committee Report* distributed to each member in attendance, was accepted as printed.
2. Election Results

Chair Watrous reported the following nominees were elected by acclamation to serve on the Board of Director for a term of three years each:

Daniel J. Machon, Jr., President/CEO, James McLaughlin (incumbent), Michele Rudzik (incumbent), and Cristine Watrous (incumbent)
3. Old Business

There was no old business presented at the meeting.
4. New Business

Chairperson Watrous thanked the entire team for their outstanding service during the previous year.

There being no other business, a motion was duly made and seconded to adjourn the meeting at 4:55 p.m.

Respectfully submitted,

Cristine Watrous, Chairman

James McLaughlin, Secretary

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Board of Directors

Cristine Watrous, Chairperson
Tiffany Stokes, Vice Chairperson
Mark Bernstein, Treasurer
James D. McLaughlin, Secretary
Adam Lush, Director
Arturo Guillen, Director
David Harrod, Director
Elva Bankins Baxter, Director
Michele Rudzik, Director
Mark Ward, Director
Daniel J. Machon, Jr., Director

Supervisory Committee

David Harrod, Chairperson
Peg Kirlin, Member
Greg Potuznik, Member
Mike Schreiber, Member

Management

Daniel J. Machon, Jr., President/CEO
Raymond A. Massi, CMA, CFO
Alex J. Broussard, Vice President/Information Services
Donna Filipone, Vice President/Lending
Pamela A. McCourt, PHR, Vice President/Human Resources
Robin Feeko, Vice President/Operations
Christopher Breslin, Vice President/Retail Services
Rebecca K. Worthington, Vice President/Marketing
Mark A. Pizzi, Vice President/Chief Commercial Operations Officer

BFCU's Commitment to Staff

At Benchmark Federal Credit Union (BFCU), we recognize that a motivated and knowledgeable staff is critical to the success of our organization. We cannot achieve our extraordinary member service, loan, and deposit growth goals without our dedicated team.

Employment Stability

Management's responsibility is to develop and execute appropriate business strategies to be successful so that we avoid unnecessary staff turnover. Management takes the responsibility for our staff's job security very seriously.

Recognition and Financial Rewards for Superior Performance

BFCU staff have an opportunity to earn more when the performance of the entire organization performs at a superior level. Our goal is to have employees, based upon their contributions, share in the overall success of BFCU.

Friendly and Teamwork-Oriented Work Environment

Management strives for BFCU to continue to be a great place to work. We look to create an environment where team members enjoy the people with whom they work and the type of work they perform. At BFCU, staff can help members achieve their financial goals.

BFCU's Commitment to Our Members

The mission of Benchmark Federal Credit Union is to improve the economic well-being of our members through a lifetime of premier financial products and services.

Every day BFCU strives to achieve our core values.

- **Members First** – Building lifelong relationships to grow our membership, recognizing that members are BFCU's most important asset.
- **Highest Integrity and Ethics** – Promoting the highest financial and ethical industry standards while acting with care, diligence, and fairness in all our business activities.
- **Courtesy and Professional Service** – Providing courteous and professional service to members to promote a community of financial trust.
- **Culture of Communication** – Cultivating communication and transparency to highlight our services and to demonstrate the financial benefits of credit union membership.
- **Education for Member Success** – Educating members to ensure their long-term financial success.
- **Product and Service Enhancements** – Continually enhancing the scope and variety of available products and services.
- **Technological Vanguard** – Aligning members' financial needs to technological innovations to provide the most up-to-date service.

We will continue to provide extraordinary member service by focusing on our mission and our values.

BFCU's 2019 Annual Report

Dear Member,

As this is being written, people around the world are dealing with the unprecedented disruption caused by the global COVID-19 outbreak. While the ultimate impact of the pandemic is unpredictable, we believe this is a time for Benchmark Federal Credit Union to demonstrate strength, compassion, and leadership – to help our members, employees, families, friends, neighbors, and communities through this critical period and on to recovery.

BFCU took early and decisive action in March 2020 in consideration of our members, staff, and communities in which we serve. We prioritized the health and safety of our members and employees by adopting sanitary and social distancing practices; as recommended by public health authorities. We temporarily eliminated lobby services, except by appointment, at our branches and shifted to drive-thru service at our Main Office.

We continue to service members through our digital channels and over the phone. Loan relief programs were instituted to enable borrowers affected by COVID-19 to defer certain payments. In addition, the Benchmark Cares Loan Program was created to offer 0% interest rate loans for small businesses in our community. We implemented telecommuting procedures that allow staff members to safely work from home.

BFCU moved quickly and decisively to protect our members by ensuring the continued strength of our financial position. These actions included various repricing of assets and liabilities to offset net interest margin compression and proactively monitoring the loan portfolio to identify areas that may be at risk from the economic impact of COVID-19.

We are proud of our members and staff and the way everyone has “stepped up” throughout these challenging times.

Our goal remains to keep BFCU financially strong, so member deposits are safe. We continue to reward members with great loan

and deposit rates as well as extraordinary member service.

While we believe we are doing a great job serving our members, it is gratifying to see this confirmed through our Member Survey. During 2019, members who responded to our survey gave us industry-leading member service scores. BFCU had an average Net Promoter Score of 62% while the industry average was 48%. 94% of members who responded rated their member service experience as “good” or “excellent”. These results indicate BFCU is accomplishing our mission.

Regarding financial performance results, total assets grew 2.3% to \$219.6 million. Total members equity, which is the reserve that protects member deposits, climbed to \$28.8 million, or 13.1% of total assets. Members’ shares grew 2.5% to \$190.5 million. Although loan to members declined by 1.1% during the year, we were pleased to introduce Commercial Lending to our product mix. Commercial loans are available to help our member business owners. We also recorded net income of \$27,334 for the year ended December 31, 2019. That represents an improvement of \$442,882 from 2018 results.

To stay competitive in the financial services industry, we must continually adapt to changing circumstances, introduce new products, focus on extraordinary member service, and streamline operations to become more efficient. We’re proud of our accomplishments and remain committed to the future and our promise to provide extraordinary member service.

Supervisory Committee Report

One of the Supervisory Committee's major responsibilities is to have an independent audit performed at least annually to verify BFCU's financial reporting accurately reflects its financial condition and results of operations. To carry out these responsibilities, the Supervisory Committee employs independent certified public accountants to perform auditing and account verification work. For 2019, the Supervisory Committee hired RKL LLP to perform an annual audit of BFCU's financial statements in accordance with generally accepted auditing standards.

In addition, the Supervisory Committee works with the National Credit Union Administration (NCUA), our federal regulator, when it conducts its annual examination of BFCU. The Supervisory Committee also oversees the internal audit group to determine whether our operations are following BFCU's policies and procedures and that internal controls exist to protect member assets.

As detailed in RKL's Independent Auditor's Report to the committee, we are pleased to report BFCU's financial reporting accurately reflects its financial condition and results of operations. The full Audit Report is available on our website at https://www.benchmarkfcu.org/_kcms-doc/916/56001/2019-FS-Benchmark-FCU-FINAL-a.pdf%20.

The following schedules should be read in conjunction with the full Audit Report available on our website.

Benchmark Federal Credit Union

Statement of Financial Condition

	December 31,	
	2019	2018
		(As Restated)
Assets		
Cash and Cash Equivalents	\$ 708,590	\$ 553,241
Interest Bearing Accounts	40,862,589	42,609,109
Securities Available for Sale	12,524,372	4,675,439
Loans to Members		
Consumer loans	159,886,635	162,595,732
Commercial loans	794,095	-
	160,680,730	162,595,732
Allowance for loan losses	(1,189,006)	(1,211,174)
Loans to Members, Net	159,491,724	161,384,558
Accrued Interest Receivable	652,522	572,208
Property, Equipment, and Leasehold Improvements, Net	1,773,853	2,099,795
NCUSIF Deposit	1,717,860	1,693,371
Prepaid Expenses and Other Assets	1,853,957	1,137,419
Total Assets	\$ 219,585,467	\$ 214,725,140
Liabilities and Members' Equity		
Liabilities		
Members' shares and savings accounts	\$ 190,544,567	\$ 185,904,739
Accounts payable and accrued expenses	213,290	176,277
Total Liabilities	190,757,857	186,081,016
Members' Equity		
Regular reserve fund	4,954,900	4,954,900
Undivided earnings	23,901,686	23,874,352
Accumulated other comprehensive loss	(28,976)	(185,128)
Total Members' Equity	28,827,610	28,644,124
Total Liabilities and Members' Equity	\$ 219,585,467	\$ 214,725,140

Benchmark Federal Credit Union

Statement of Operations

	December 31,	
	2019	2018
		(As Restated)
Interest Income		
Interest on loans	\$ 7,296,550	\$ 7,256,140
Interest on investment securities and interest bearing accounts	<u>1,195,597</u>	<u>860,974</u>
Total Interest Income	<u>8,492,147</u>	<u>8,117,114</u>
Interest Expense		
Dividends on members' shares and savings accounts	1,445,914	1,041,130
Interest on borrowed funds	<u>301</u>	<u>2,190</u>
Total Interest Expense	<u>1,446,215</u>	<u>1,043,320</u>
Net Interest Income	7,045,932	7,073,794
Provision for Possible Loan Losses	<u>542,246</u>	<u>872,329</u>
Net Interest Income after Provision for Possible Loan Losses	<u>6,503,686</u>	<u>6,201,465</u>
Noninterest Income		
Service fees	293,279	304,007
(Loss) gain on sale of investments	(1,750)	55,442
Other	<u>942,916</u>	<u>1,116,820</u>
Total Noninterest Income	<u>1,234,445</u>	<u>1,476,269</u>
Noninterest Expenses		
Employee compensation and benefits	3,835,725	3,872,191
Travel and conference	87,971	80,428
Office occupancy	469,018	469,348
Office operations	1,572,347	1,449,090
Educational and promotional	391,700	406,485
Loan servicing	1,054,021	1,538,048
Professional and outside services	184,538	157,395
Operating fees	58,035	57,957
Miscellaneous	<u>57,442</u>	<u>62,340</u>
Total Noninterest Expenses	<u>7,710,797</u>	<u>8,093,282</u>
Net Income (Loss)	<u>\$ 27,334</u>	<u>\$ (415,548)</u>

Benchmark Federal Credit Union

Effects of the Restatement

	<u>December 31, 2018</u>		
	<u>Previously Reported</u>	<u>Increase (Decrease)</u>	<u>As Restated</u>
Statement of Financial Condition			
Loans to Members, Net	\$ 162,006,490	\$ (621,932)	\$ 161,384,558
Accounts Payable and Accrued Expenses	105,521	70,756	176,277
Total Members' Equity (December 31, 2018)	29,345,229	(701,105)	28,644,124
Statement of Operations			
Provision for Possible Loan Losses	\$ (816,341)	\$ (55,988)	\$ (872,329)
Noninterest Expenses, educational and promotional	(383,737)	(22,748)	(406,485)
Noninterest Expenses, loan servicing	(1,466,849)	(71,199)	(1,538,048)
Net Loss	(265,613)	(149,935)	(415,548)
Statement of Members' Equity			
Undivided Earnings (January 1, 2018)	\$ 24,832,653	\$ (542,753)	\$ 24,289,900
Members' Equity (January 1, 2018)	30,354,292	(542,753)	29,811,539
Net Loss	(265,613)	(149,935)	(415,548)
Undivided Earnings (December 31, 2018)	24,567,040	(692,688)	23,874,352
Members' Equity (December 31, 2018)*	29,345,229	(701,105)	28,644,124

Prior to January 1, 2018, Benchmark Federal Credit Union did not include qualitative factors when determining the adequacy of the Allowance for Loan Losses (ALL). The ALL restatement was \$550,733 of which \$494,745 related to prior to January 1, 2018 and \$55,988 was recorded for the year ended December 31, 2018.

The Noninterest Expenses were restated for the removal of private student loan insurance premiums, included with Loans to Members, Net due to the insurance company liquidating in 2018. The private student loan insurance premiums written off during 2018 were \$71,199.

The Noninterest Expenses were also restated for a capitalized expenditure included in Accounts Payable which should have been recorded in Noninterest Expenses totaling \$70,756, of which \$48,008 related to prior to January 1, 2018 and \$22,748 was recorded in 2018.

*Decrease of \$8,417 relates to the reclass of Certificates of Deposit from Securities Available for Sale to Interest Bearing Deposits during 2018 and the related unrealized net loss.

The complete December 31, 2019 Audited Financials Statements are available at:

https://www.benchmarkfcu.org/_/kcms-doc/916/56001/2019-FS-Benchmark-FCU-FINAL-a.pdf%20