



BRIDGING THE DISTANCE

“

Our very survival depends on our ability to stay awake, to adjust to new ideas, to remain vigilant and to face the challenge of change.”

Dr. Martin Luther King Jr.



ANNUAL
REPORT
2020



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Supervisory Committee Report

According to the provisions of the Title 8, Vermont Statutes Annotated, Chapter 221, Section 31306; the Supervisory Committee oversaw an extensive audit of the books and affairs of VSECU for the twelve months ending September 30, 2020; performed by Doeren Mayhew, CPAs and Advisors; an independent auditing firm from Miami, Florida.

The Committee reviewed the audited financial statements and supporting footnotes to the financial statements and the results of the audit were presented by the auditing firm to the Board. The Committee is satisfied that the work of the audit firm is accurate and complete.

A copy of the opinion and financial statement audit report presented by Doeren Mayhew is available upon request.

Eugene Wescott **Renee Beauchemin** **Donna Rae Heath**
Chair

VSECU Leadership

Senior Management Team

Robert Miller
CEO

Terence Field
SVP Finance Officer

Yvonne M. Garand
SVP Marketing & Business
Development Officer

Rick Hommel
SVP Technology &
Operations Officer

Valerie Beaudin
Head of Consumer and
Residential Lending

Gregory Huysman
Director of Business
Lending and Services

Board of Directors

Norman D. McElvany
Chair

Michael Hogan
Vice Chair

Spencer Newman
Treasurer

Mary Trepanier
Secretary

Ben Doyle

Janet Hollner

James Larsen

Heather Neuwirth Lovejoy

George Sales

Amy Shollenberger

Janet Spitler

CEO AND BOARD CHAIR MESSAGE

Compassion and Resilience During Crisis

Marked by the global pandemic, economic recession, and divisive social and political environments, 2020 was an extraordinarily difficult year for our members, employees, and communities. The challenges were unprecedented and the pathway to a brighter future remains unsettled. Fortunately, we live in a state of strong people who face challenges with courage and community spirit, making it easier to persevere.

A moment of reflection leaves us feeling grateful and appreciative for our leaders, employees, members, and communities. Collectively, we demonstrated the power and resiliency behind people coming together to support and help one another. At no time in our 74 years of existence has the origin of the credit union purpose, "people helping people, not for profit, but for service," come to life as it did in 2020.

From the beginning of the pandemic, we focused first and foremost on the health and wellbeing of our members and staff. To ensure our members were well cared for, it was essential to support the needs of our staff. We offered additional paid time off for pandemic-related absences, fortified the workplace with personal protective equipment and additional cleaning supplies, deployed a distributed workforce, and provided additional compensation, to name a few actions, all while avoiding layoffs and hour reductions.

As our members' needs intensified, we called on our resources to meet them. We extended nearly half a million dollars in Member Emergency Loans to fill the gap in lost wages. We accommodated forbearances, deferments, and skip-a-pays on over \$59 million in loan balances for those unable to make their payments. We provided access to \$14.5 million in Federal Paycheck Protection Program loans for business owners.

To help meet the needs of our increasingly food-insecure communities, we went virtual with our annual member and community Point to Point riding and running event. We exceeded our fundraising goals by giving nearly \$154,000 to the Vermont Foodbank to feed more Vermonters.

We continued to demonstrate our commitment to financing positive change by growing our triple-bottom-line assets—loans or investments that support people, the planet, and/or prosperity—to over 50% of our total assets for the first time.

In the midst of the upheaval, we were also able to expedite and accomplish some significant improvements to our member services. We upgraded our Digital Banking platform, putting VSECU one step closer to being a tech leader in mobile and online banking. We introduced debt protection that provides a variety of benefits to guard against unexpected circumstances that prevent members from being able to make their loan payments. We launched Edge Pay, a new debit card for everyday purchases with automatic savings and identity protection. We implemented an “on-the-spot” instant issue process so that members could receive debit cards in the branch. And we replaced our Montpelier drive-through service with state-of-the-art video teller machines.

Financially, we did better than we could have expected during one of the most disruptive periods in our history. While extraordinary deposit and asset growth put pressure on our net worth ratio, we were able to grow earnings and maintain net interest margins in an abnormally low interest rate environment. You can find greater detail about our finances in the Treasurer’s Report on page 26.

The social unrest that resulted from the death of George Floyd affected us deeply and motivated us to take a hard look at our operations and accelerate the steps we are taking to create a more inclusive work environment. We surveyed the organization to assess areas of strength and weakness so that we could begin creating an action plan in 2021 that will inform a culture of community and belonging in the future.

Heading into the new year, we will continue to focus on our most important priority—protecting the health and wellbeing of our employees and members. We expect the economic recovery to take time, perhaps years, before we regain the economic losses incurred during the pandemic. As such, we will intentionally keep our focus on serving our members, keep new initiatives to a minimum, and be prepared to adapt as circumstances require.

We thank you for your trust, understanding, and belief in your credit union. Together we have conquered a challenging year and look forward to exploring new pathways with you.



Rob Miller
CEO



Norman D. McElvany
Board Chair

STANDING WITH YOU



It's not what happens to you, but how you react to it that matters"

Epictetus

As a result of the pandemic, VSECU needed to pivot quickly and shift all our resources to members and employees while maintaining necessary operations. During the initial crisis, communication and support were essential. Communication provided valuable information that enabled employees and members to take care of themselves, and support for those who were most vulnerable improved morale and reduced panic.

In the early days of the pandemic, when we knew little about the virus, **our first response was to gather information so that we could prepare staff and members for what was to come.** We immediately pulled together a Pandemic Planning and Recovery Team, led by a Command Officer, who facilitated decisions that were congruent with our business continuity plan. Armed with regular updates from the Centers for Disease Control and Prevention and our federal and local governments, this specialized team offered support to the VSECU Senior Team, enabling them to react quickly and decisively.

Protective Measures in the Early Days of the Pandemic:



limiting access to branch lobbies



shortening hours and offering the first hour exclusively to higher-risk members in the early months



allowing employees who could reasonably work from home to do so



providing cleaning supplies, masks, and protective barriers to staff



creating clear and consistent guidelines and procedures for workspace safety



preparing staff and buildings for potential infections



ensuring that staff were paid for time off required by the pandemic (before the Federal Government provided protection)

Reducing Anxiety with Information

The Marketing team provided information to quell members' fears about losing access to their finances while also outlining safe ways to conduct their everyday banking transactions by



creating a dedicated landing page to provide everything members needed to know about changes to lobby availability, alternative and safe banking options, grant and loan options, and more;

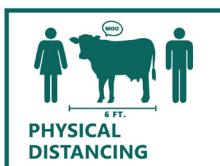


sending emails that provided updated information and led members to a landing page that was kept up to date as new information and options became available; and



publishing blogs, livestreams, and social media posts to provide clear guidance for members to care for their finances during the pandemic.

KEEP YOUR CREDIT UNION SAFE • SAFETY IS OUR #1 PRIORITY



PHYSICAL DISTANCING



PERSONAL PROTECTIVE EQUIPMENT



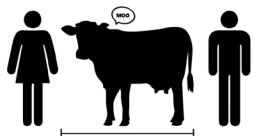
ENHANCED



BE PREPARED, NOT SCARED.

The health and safety of our employees, members, and communities is extremely important to us. We are monitoring the COVID-19 coronavirus and are following the guidance of the Centers for Disease Control and the World Health Organization. We are taking appropriate measures to keep our members and employees safe in our branches and across our digital channels.

PHYSICAL DISTANCING
A VERMONTER'S GUIDE



Keep one dairy cow of space between you and others.

ASK Routing # 21169105

Enroll in Digital Banking - Online Security Tips

Login

BECOME A MEMBER

COVID-19 Update - Be prepared, not scared

EVERYTHING YOU NEED TO KNOW ABOUT YOUR STIMULUS CHECK



OLIVER AMES
SOCIAL MEDIA SPECIALIST



YVONNE GARAND
SVP OF MARKETING & BUSINESS DEVELOPMENT



Protecting with Technology and Fraud Prevention



In 2019, we had the foresight to update our Business Continuity Disaster Plan as well as our data center infrastructure. Due to these timely precautions, the VSECU Information Technology (IT) team was well positioned to support the movement of employees into home office spaces when it became clear that we needed to distribute our workforce to keep employees safe.

Prior to the pandemic, an average of five VSECU employees worked from home on any given day. Because of preparations made before the crisis, the IT team was able to support the distributed workforce based on job roles and security needs. Within weeks, they helped nearly 100 additional employees transition to a home office, with VSECU-issued computer equipment and encrypted access to securely log into the credit union systems.

The confusion and increased reliance on automatic transactions and the internet created an environment that was ripe for financial fraud. Surprisingly, we saw a slight decrease in the number of fraud cases overall but an increase in the amount of money involved. Fortunately, **our Fraud team was able to reduce financial losses by catching many cases of fraud early.**

Fraud Prevention

80 Cases in 2019



72 Cases in 2020



Average fraud scam in 2019

\$3,662

Average fraud scam in 2020

\$4,578

Prevented
\$265,163
in attempted fraud in 2020

Supporting Our Communities

Employees Taking Action

Credit unions are built on a philosophy of "people helping people" and our employees proved to embody that philosophy as the pandemic began to stress our workforce and create deep need in our communities. **Throughout the organization, employees jumped to the aid of each other, our members, and our communities:**

- Employees across the organization took on new responsibilities and roles to cover increased needs in other departments.
- With branch traffic down, staff made outbound calls from March through June to check in on members and help them make transactions or find what they needed.
- Employees at our Berlin branch put on a coat drive, collecting new or gently used coats to keep our community members warm.
- Staff participated in the Spectrum Sleepout to raise funds and awareness around homelessness in Vermont.
- Our Williston branch organized a drive to collect resources for ANEW Place, which offers transitional housing and rehabilitation programs for homeless adults in the greater Burlington area. Their efforts provided more than 50 people with clothing, personal hygiene products, coffee, face masks, water bottles, and more.

Branch Donations

- In Montpelier and Berlin, we supported Main Street businesses and sent meals to frontline workers at the Lincoln House, the Gary Residence, and the staff and homeless at Good Samaritan Haven.
- Montpelier also directed a donation to Prevent Child Abuse Vermont and Berlin directed funds to Community of Vermont Elders.
- In St. Johnsbury we helped Northeast Kingdom Youth Services and Helping Overcome Poverty's Effects meet the increased demand for food and shelter.
- Waterbury jumped to help the downtown businesses stay afloat with a donation to the Waterbury Bucks program.
- Rutland gave to BROC Community Action and Habitat for Humanity.
- Bennington met food insecurity in their region with donations to Bennington Meals on Wheels and Greater Bennington Interfaith Community Services, Inc.
- The Brattleboro branch mitigated the impact on children with donations to Youth Services, Windham County Safe Place Child Advocacy Center, and more.
- Our Williston and Burlington branches collaborated and made donations to 11 different nonprofits, including Champlain Valley Office of Economic Opportunity (CVOEO), Committee on Temporary Shelter (COTS), and the U.S. Committee for Refugees and Immigrants Vermont.





MEETING NEEDS IN THE MOMENT



“

Stepping onto a brand-new path is difficult, but not more difficult than remaining in a situation.”

Maya Angelou

As the pandemic continued, we adjusted our plans, made connections, and developed products that would best support our members and communities. **As many people lost their jobs and their homes, and struggled with food insecurity, we searched for new ways to help meet these pressing needs.**

Members facing a reduction in work or the loss of a job needed extra cash or support with loan payments. Others who were able to keep their jobs needed help purchasing a home or refinancing to take advantage of low interest rates. We moved quickly to ensure that we had safe spaces within the building to work with members face to face, and to make community connections to increase funding for subsidized loan offerings.

We are fortunate to have a partner that provides financial consulting at no or low cost, depending on the services provided. **GreenPath Financial Counseling was able to assist hundreds of members with their financial wellbeing:**



GreenPath offered financial guidance, education, budget and credit counseling, debt management planning, and more to 626 members overall, taking a total of 1887 calls.



They created debt management plans for 35 members who needed to address outstanding credit card, loan, and/or debt collection issues. GreenPath worked with these members to consolidate their debt with a practical payment plan. These members now have an opportunity to repay their outstanding debts, recover financially, and begin the process of improving their credit report/score.

Providing Emergency Financial Stability

Having developed the Member Emergency Loan (MEL) to support members during the 2018/2019 government shutdown, we were able to redeploy the loan quickly in March to provide members with much-needed funds at a low to 0% interest rate. Many of the recipients of MELs were independent and self-employed individuals that were challenged to get access to federal stimulus and unemployment funds. These loans became a lifeline to get them through financial difficulties. **We reduced our credit score requirements for this round of MELs and updated our approval requirements to help more Vermonters qualify.**

Member Emergency Loan

Helped
248 Members
Maintain Financial Stability | \$487,700
Loaned

To extend the program to more members, VSECU committed up to \$100,000 in charitable funds to our MEL. **We were able to offer a 0% interest rate thanks to our community partners:**

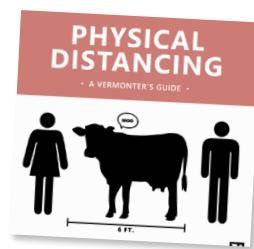


The Vermont Community Foundation offered a generous donation of **\$150,000** to subsidize the MEL for Vermont residents.



Let's Grow Kids provided **\$5,000** to subsidize loans for Vermont childcare workers.

The sales of our popular physical distancing cow stickers subsidized emergency loans for **16 members**.



“

Thank you, thank you, thank you!

This loan is allowing me to breathe easier, as I deal with not being able to work at this time. I am going to fill my gas tank right now. Then pick up much needed overdue medications, and order the parts needed to fix my van, so it can pass inspection and finally, pay some bills.

Thank you again, for allowing me some peace of mind during this unsettling and uncertain time.

With much appreciation,

[MEL member recipient name omitted]

Supporting Financial Health with Innovative Financing

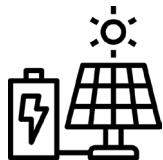
Our April launch of the Edge Pay debit card couldn't have come at a better time for members. The card protects members in a number of ways that were particularly helpful as card usage went up and fraud became more prevalent. This new debit card allows members to automatically save money when they use their card and protects them from overdrafting their account, which is helpful for those who are forced to run a low balance. **One of the greatest benefits of Edge Pay during the pandemic has been its protective features, which help members monitor their account and spot fraudulent charges before their credit is affected.**

As the pandemic threatened to slow the momentum Vermont had built in the solar and energy efficiency industries, **VSECU worked with Efficiency Vermont to provide subsidized loans to sustainability-minded homeowners.** Those who closed on Home Energy Loans between May 22 and October 31, 2020 received up to \$900 to cover payments for up to six months. This fast action provided much-needed business for contractors while supporting energy improvement projects.

Our VGreen loans help support local contractors and workers while also supporting environmentally friendly upgrades that lower overall monthly energy costs for our members.

Energy Efficiency

\$21.1M IN SOLAR LOANS



We provided \$21,186,041 to 679 members for solar projects.

\$6.05M IN HOME ENERGY LOANS



776 members borrowed a total of \$6,058,231 in Home Energy Loans to make their lifestyles more energy efficient.

In speaking with members and performing courtesy calls, we took the opportunity to refer members who had deferred mortgage payments or forbearance plans to the Vermont Housing Finance Agency so they could apply for and take advantage of the Vermont COVID Emergency Mortgage Assistance Program. **This program disbursed \$5 million in federal grant funds to eligible Vermonters who were at least two months late or in forbearance on their mortgage payments due to loss of income.** This helped protect many first lien holders from foreclosure.

As more and more Vermonters lost their jobs and struggled to make ends meet, we helped them keep their finances on track and open up cash flow through a number of techniques, including loan forbearance, deferment, loan modification, and skip-a-pay. Through these efforts, we processed a total of 827 loan deferments, skip-a-pay plans, and forbearance plans to help individual and business members keep their accounts up to date.

Loan Modifications

87
business loan modifications totaling **\$32,820,690**

158
mortgage modifications totaling **\$19,886,195**

582
consumer loan modifications totaling **\$6,562,713**



For those who were able to keep working, we offered financing for new homes and other large purchases.

Home Financing

**\$193.1M
IN FIRST
MORTGAGES**



993 members borrowed \$193,140,525 for first mortgages.

**\$135.7M
IN HOME
REFINANCES**



Of our first mortgages, 692 were refinances totaling \$135,706,960.

**\$21.6M
IN HOME
EQUITY LOANS**



409 members borrowed \$21,693,037 for home equity loans and lines of credit.

Investment Services

Before the pandemic hit, **MEMBERS Financial Services began offering Sustainable Choice ESG Portfolios**, which enable members to invest in ways that align with their values.

Though there was great fear that the financial markets would fail, they rallied after a brief period of uncertainty and **MEMBERS Financial Services financial advisors nurtured our members through the volatile months** that followed. They continued to offer information members needed by migrating to virtual meetings and initiating a system that enabled members to sign documents safely and securely online. They also beefed up their offerings with online seminars that attracted unprecedented attention.



Representatives are registered, securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor, which is not an affiliate of the credit union. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution. FR-3481376.1-0321-0423

Shifting Member Services to Meet Needs

Throughout the pandemic, we encouraged members to use safe banking options when possible, suggesting that they rely more heavily on Digital Banking and drive-through services to conduct the bulk of their transactions. This was an opportunity for members to learn more about the options available to them and those that needed help reached out by phone or secure mail to conduct some of their transactions, ask questions, and more.

Call and Email Volume

184,750
ANSWERED CALLS



During business hours, our member service consultants (MSCs) and Sales and eCommerce staff answered a total of 184,750 calls.

51,581
OVERFLOW CALLS

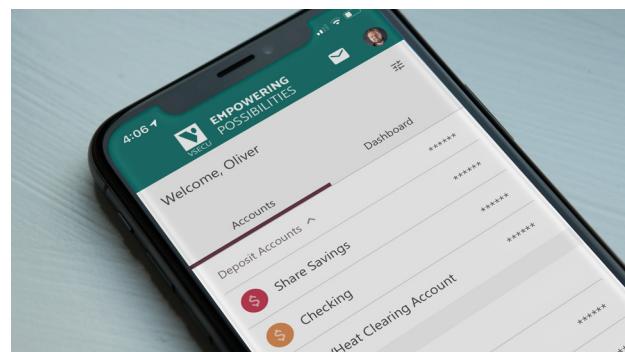


Our overflow call service, which is open around the clock, handled 51,581 calls.

13,248
MESSAGES ANSWERED



Our MSCs responded to 13,248 messages in secure mail.



Members moved more of their borrowing activities online:

Lending Volume

2,941 2020

2,261 2019
Online Loan Applications

2,389 2020

3,594 2019
In-Branch Loan Applications

Many members opted to double down on saving during the crisis, entrusting their stimulus checks and other savings with us despite the low-interest environment. This caused our member deposits to soar by \$169.4 million. **People relied heavily on their cards, which can be seen in the number and dollar amount of transactions our members made.**



Debit:

6.1M Transactions Totaling \$269M



Credit:

716K Transactions Totaling \$44M

POINT to POINT

powered by VSECU

The Point to Point is our premier annual event, which is held each August to raise funds for the Vermont Foodbank. We had planned to hold the event at the Montpelier State House but had to pivot quickly to make it a virtual event. **The 2020 Point to Point not only raised money for hungry Vermonters but immediately sent money to the Vermont Foodbank, as we raised it, in order to fill the real-time needs of an increasing number of homeless and food-insecure Vermonters.**



SATURDAY
01
AUGUST 2020

RUN OR RIDE TO HELP FIGHT HUNGER

State House Lawn, Montpelier, VT



Get on your bike or pull on
your running shoes and ride or run
by VSECU—a riding and ru

mission to end hunger in V

ermont

<p

Facilitating Aid Helped Bolster Main Street

“

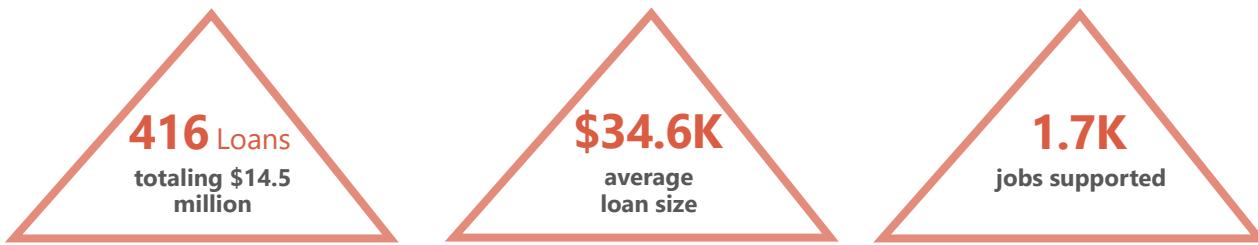
Success is not final. Failure is not fatal. It is the courage to continue that counts.”

Winston Churchill

Our business communities were stressed in unprecedeted ways during the pandemic. Many establishments had to close temporarily, spurring owners to wonder if their businesses would survive the ongoing crisis. **Though our traditional lending experienced a decrease in 2020, we offered our small business owners much needed support as a certified lender for the Small Business Administration (SBA)**, facilitating a variety of grants and programs.

Of all Vermont credit unions, VSECU was ranked the #1 credit union provider of loans through the Paycheck Protection Program (PPP)*. This program was the most widely known and accessed of the SBA offerings and made a large positive impact on our nonprofit and for-profit business communities, enabling many owners to keep the lights on and pay their workforce. Due to pandemic conditions, this program was the first that we made available electronically to our business members.

Payment Protection Program Lending



Small Business Administration Loans

Provided \$161,633.73 to



In addition to PPP loans, VSECU was able to facilitate the allocation of federal funds used to cover SBA-guaranteed loans over a period of six months. These funds helped some of Vermont's most vulnerable small businesses keep their doors open.

*as stated in a July 20, 2020 article on creditunions.com.

Granting Recovery Funds to Keep Nonprofits Afloat

Another way we helped keep Vermont nonprofits afloat during the pandemic was with the help of the Federal Home Loan Bank of Boston's Jobs for New England Recovery Grant program. **Grants were supplied to nonprofits that were significantly impacted by COVID-19, helping to preserve and create jobs and support local economic stability and development.**

- \$100,000 in grants ranging from \$5,000 to \$25,000
- Supported seven nonprofit business members

“

During the pandemic, we have seen one of our founding partners, River Rock School, close its doors for good. This grant will make a tremendous difference helping us make up for the impact of that long-term loss to our community and our income, as we find new partners and develop new programs that will use their space. It means we can keep offering studios to local artists and musicians, and it will help us find the best and safest ways to support our creative community through this difficult time.”

Alice Dodge, executive director for The Center for Arts and Learning

“

An organization like ours is based on the principle of people coming together as a group to learn, experience, and interact with others in the ways they choose. We suddenly had to reinvent the ways we do everything to continue our mission safely through this pandemic. It caused significant financial strain on us and finding out that VSECU was aware of our struggles—and wanted to help!—was an unanticipated and heartwarming surprise.”

April Werner, executive director of the Vermont Performing Arts League

“

We deeply appreciate the support of the Federal Home Loan Bank of Boston, and VSECU, for our work in COVID recovery, building community leadership and advancing economic development that contributes to climate solutions. Vermonters are standing up to lead local recovery efforts today, and their work and leadership can be a springboard to economic renewal and a resilient future.”

Paul Costello, executive director at Vermont Council on Rural Development

MOVING TOWARD A SENSE OF NORMALCY

“

If the sky had no tears, the world would have no rainbows.”

Matshona Dhliwayo

Dramatic and difficult years offer an opportunity to challenge ourselves. In 2020, the pandemic forced us to reconsider how we conduct business and the tragic death of George Floyd challenged us to review our social norms. In addition to providing our usual financial services, we continued to make upgrades to our products and services, decisions about our operations, and inquiries into our internal culture so that we could make the most positive impact on the quality of life for all Vermonters.

Our frontline staff were true credit union heroes during this time. They faced the pandemic head-on, coming into the office to serve members even as a large proportion of their colleagues worked safely at home. These employees faced real fear and concern about the health of their families, despite their efforts to protect themselves with good cleaning practices and plexiglass barriers.

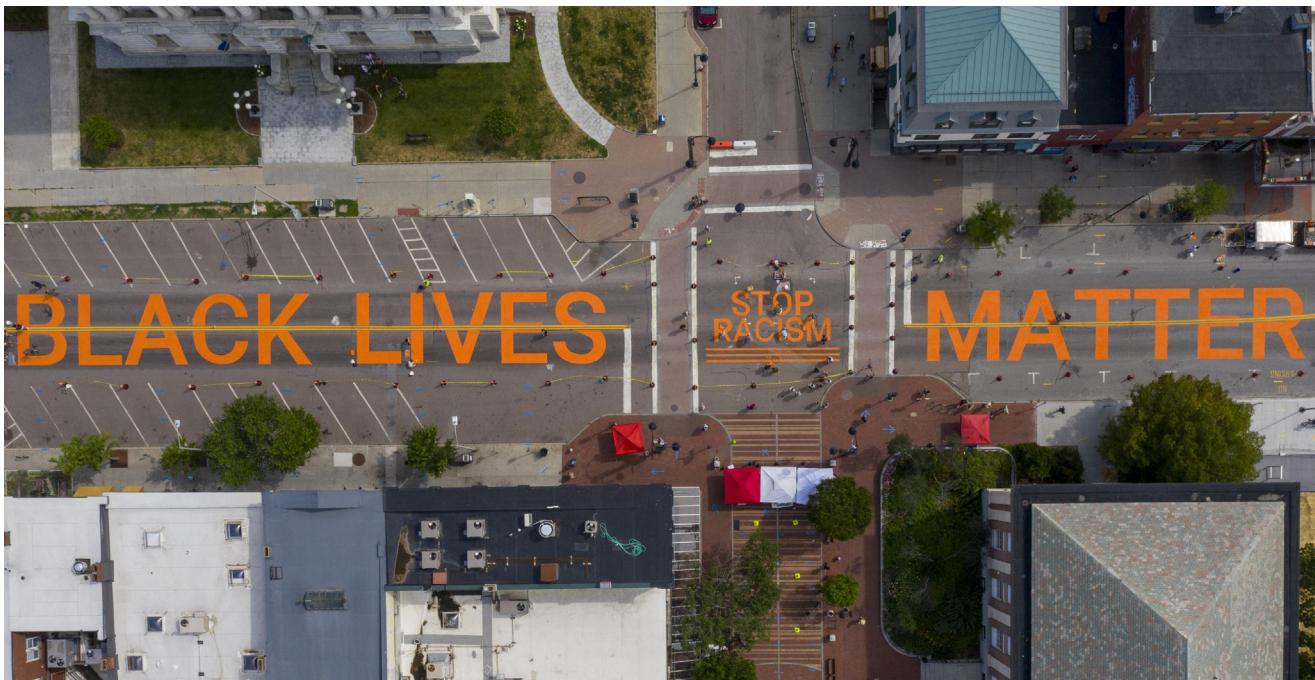


Without a healthy and supported workforce, we can't adequately serve our members. **We therefore took additional measures to support the mental and physical health of our frontline staff.**

- Because weekend hours often required staff to travel to a different branch, we eliminated Saturday hours, starting on April 11, to reduce unnecessary staff exposure.
- For Thanksgiving, we provided turkeys and pies in appreciation of our in-branch staff, to fill their homes with a holiday spirit in the absence of large family gatherings.

And **in recognition that the year was not easy for any of our staff, leadership expressed their appreciation** to all staff in a number of ways:

- The Wellbeing Committee made a full pivot from their planned 2020 engagement calendar to create opportunities and customized events that could include all members of a distributed workforce, whether they worked in-branch or from home.
- We held our annual employee gala virtually to celebrate all employees and to recognize those who performed above and beyond expectations.
- We gave employees three free months of access to online courses through Skillshare to pursue and nurture their personal interests.
- We gave non-management staff a \$500 gift and a thank you note expressing appreciation for their work during such a difficult time.



Social Pressures Accelerating Cultural Growth

The upheaval caused by the pandemic heightened our commitment to a workplace culture where all staff thrive and can bring their best in service to our mission. In 2020, our country came face to face with deep divisions in class and an increased urgency for racial and social equity. The death of George Floyd at the hands of Minneapolis police on May 25 was a clarion call to accelerate our efforts to address diversity, equity, and inclusion.

- We continued our work with the Cornerstone Group and used their Predictive Index (PI) Survey to gain an understanding of our current strengths and blind spots so that we can continue to fine-tune our workplace culture. The survey measures work experience, including how employees feel about their job, manager, the people they work most closely with, and the broader organization and culture.

- We worked with Abundant Sun and administered their Pulse Survey to ensure that we continue to foster a diverse, equitable, and inclusive workplace. This survey enabled us to add demographic data, supplied voluntarily by employees, such as gender identity, racial/ethnic identity, age, and more to the understanding of how our workplace culture is experienced by our diverse staff.

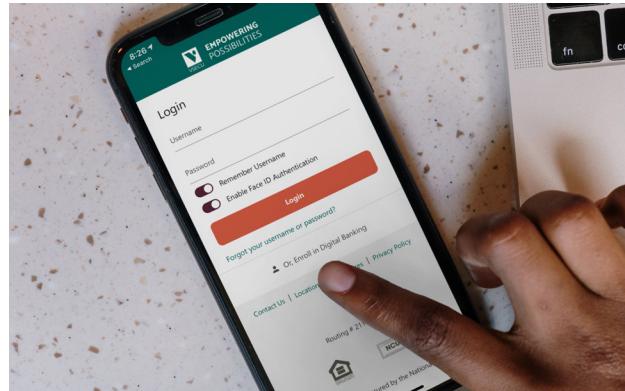
- We launched a working group with the objective to build strategy and formally embed a commitment to social justice and responsibility into our organization, further clarifying that diversity, equity, and inclusion is a business imperative to achieve our mission of "improving the lives of all Vermonters."

- The work is leading the Board of Directors to write an Inclusion Statement that sets a course for ongoing commitment in all areas of operation.

Keeping Pace with Partnerships and Innovation

In January, before the pandemic hit, we entered a strategic partnership with Opportunities Credit Union (OCU), allowing each organization to leverage the other's unique strengths and experiences to better serve low- to moderate-income Vermonters. We initiated the partnership by bringing the accounting staff and functions for OCU within VSECU, improving efficiency and enabling OCU staff to focus on more strategic work. Although the pandemic shifted priorities, we look forward to further exploring the many ways we can partner.

Moisture in our **Montpelier drive-through** tubes forced us to close our busiest drive-through and one of our safe banking options when we needed it most. The drive-through was down from May through November, when we were able to install three upgraded video teller machines. This state-of-the-art technology enables members to make transactions with the support of a person whom they can see and engage with on screen during business hours. The drive-through also offers ATM services around the clock.



Members were excited about the integration of **credit card online** into their Digital Banking accounts. This feature allows members to see all their credit card activity online, on one platform. Prior to the upgrades, members used a separate application to track credit card activity.

Our business members were particularly thrilled to have access to the new **VSECU Business Mobile App**, which did not exist prior to the Digital Banking upgrade. This was particularly appreciated during the pandemic, as people turned to online options to reduce exposure to the coronavirus.

Digital Banking Upgrade

83.7%

converted or
enrolled in
new platform

50%

of membership
covered or
enrolled

32.8K

active users
converted

35.2K

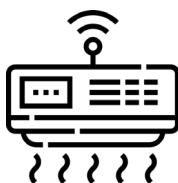
members
enrolled

VHeat

Every year, we support our members during winter through the **VHeat fuel buying program**, which offers discounted pricing on home heating fuel and helpful savings and payment options that simplify the heating season. This year was no different.

The image shows the VSECU VHeat Fuel Buying Program enrollment page and a mobile application interface. The enrollment page includes sections for 'ENROLLMENT', 'HOW TO ENROLL' (with steps 1-3), 'Have Questions?', and 'VSECU Branch Locations'. The mobile app interface shows the VSECU logo, the 'VHeat FUEL BUYING PROGRAM' logo, and a snowy cabin icon with the text 'www.vsecu.com/vheat ENROLL ONLINE TODAY'.

**\$944.2K
IN HEATING
SAVINGS**



We saved our members
\$944,204 last heating season.

**\$343
SAVED PER
MEMBER**



\$343 is the average annual savings per member.

Co-op Capital

Through Co-op Capital, a VSECU initiative that supports the development of cooperatives through capital investments, **we provided \$125,000 toward the expansion of the Springfield Food Co-op into a new Main Street location**, enabling the cooperative to continue its mission and support its employees and the local economy during a difficult year.



ESSENTIAL INTENT SCORECARD



Creating an essential intent.... takes asking tough questions, making real trade-offs, and exercising serious discipline to cut out the competing priorities that distract us from our true intention. Yet it is worth the effort because only with real clarity of purpose can...organizations fully mobilize and achieve something truly excellent."

Greg McKeown

As a credit union with a foundational philosophy of people helping people, **we assess performance and progress on our business strategy using an Essential Intent Scorecard.**

Essential intent is both aspirational and concrete, enabling us to clearly articulate our purpose and set measurable objectives, which ultimately allows us to follow our inspiration toward realistic goals.

The scorecard captures our performance relative to goals of serving member needs and creating member value (return on member), financial resiliency and sustainability (capital, return, and asset quality), and social impact (member funding, real economy assets, real economy revenues, and triple-bottom-line assets). We measure ourselves against these metrics to ensure we are delivering on our mission and promise of improving the lives of our members and Vermonters.

Essential Intent SCORECARD Q4 2020

Essential Intent Scorecard	Actual	Target	vs. Target	% Target	Weight	Weighted Score
Capital	8.45%	9.00%	-0.55%	93.9%	5.0%	4.7%
Return	0.74%	0.59%	0.15%	125.4%	5.0%	6.3%
Asset Quality	0.48%	0.45%	-0.03%	93.3%	2.5%	2.3%
Member Funding	90.3%	75%	15%	120.3%	5.0%	6.0%
Real Economy Assets	89.0%	75%	14%	118.7%	7.5%	8.9%
Real Economy Revenues	103.9%	80%	24%	129.9%	5.0%	6.5%
Return on Member (ROM)	72.3%	75%	-3%	96.4%	50.0%	48.2%
Triple Bottom Line Assets	48.7%	55%	-6%	88.5%	20.0%	17.7%
Overall Weighted Score:						100.6%

At the end of 2020, we achieved an overall weighted score of 100.6%. The red and orange indicators illustrate how well we performed in each area relative to our target. The highest weighted metrics in the scorecard are return on member and triple bottom line assets. Though we fell short of these targets in 2021, we have improved year over year and will continue to channel our energies toward growth in the future.

CAPITAL

WHAT THIS IS: Our accumulated net income divided by total assets (loans, investments, fixed assets).

WHY IT MATTERS:

The more capital we accumulate, the more resilient we are to events outside our control without putting our members at risk.



RETURN

WHAT THIS IS: How much money we make for every dollar in assets.

WHY IT MATTERS:

The more money we make, the more we can invest in our members and communities.

ASSET QUALITY

WHAT THIS IS: The percentage of our loans that are in default for up to 60 days.

WHY IT MATTERS:

A low number suggests we're helping members manage debt responsibly.



MEMBER FUNDING

WHAT THIS IS: How much of our loans are funded by member deposits.

WHY IT MATTERS:

Funding our members' needs with deposits keeps money within our local economy.



REAL ECONOMY ASSETS

WHAT THIS IS: The percentage of our assets that are invested in members' tangible purchases (like a house or car).

WHY IT MATTERS:

Investments we can see and feel make a difference in our communities.



REAL ECONOMY REVENUES

WHAT THIS IS: The percentage of our income from loans for members' tangible purchases.

WHY IT MATTERS:

This measures how member-focused our lending and revenue streams are.



RETURN ON MEMBER



WHAT THIS IS: The value we create for members through saving, borrowing, and use of our services.

WHY IT MATTERS: This keeps our attention on what's important to members.



TRIPLE BOTTOM LINE (TBL) ASSETS



WHAT THIS IS: The percentage of our assets that benefit: people – community and individual empowerment; planet – safeguarding and improving our environment; and prosperity - the financial resiliency of our members and the credit union.



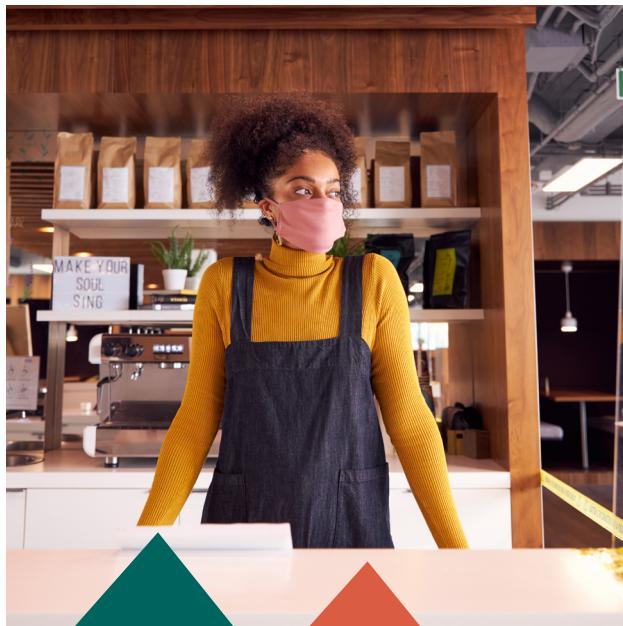
WHY IT MATTERS: Triple bottom line loans and investments (funding energy efficiency, local business growth, affordable homes, etc.) help fulfill our mission to improve the quality of life for all Vermonters.

What Affects Our Triple Bottom Line?

Many organizations measure their success based on the bottom line—primarily profit. As a member-owned financial cooperative, we measure our success based on sustainability with a focus on people, the planet, and prosperity. These three “Ps” comprise the accounting for our triple bottom line (TBL) and indicate our wider impact beyond the delivery of financial products and services.

Assets in our loan portfolio have a direct impact on the financial, environmental, and social prosperity of Vermonters and affect our TBL. Examples include our Member Emergency Loans (see page 11), which provided funds at 0% interest to members in dire need of support due to COVID-19. The Payment Protection Program Loans we facilitated (page 16) are another example. VGreen energy efficiency lending, credit builder loans, financing for the nonprofit sector, and loans for housing and businesses in areas targeted by state and federal programs for investment are additional examples.

Here are some other examples of TBL activities we have engaged in over the past year. These are member small business owners who have supported their businesses through VSECU loans. These businesses strike a balance between making a profit and supporting employees, customers, the environment, and our collective ability to thrive.



“

We got started just leasing land from a local community member, and the motivation was to provide very healthy food to our community and earn the same quality of food that we wanted to grow and provide to our family. We have two daughters, we wanted to offer that to the community and also make a livelihood doing something that we really believe is benefiting not just the local community, but the planet and moving in the direction that we hope to see in the future.”

Patrick Sullivan, co-owner of **Ananda Gardens**

“

We wanted to make a product that could be made using all locally sourced, certified organic produce. We believe that supporting local growers helps the local economy. The money that is spent with local farmers and growers can stay close to home and be reinvested with businesses and services in our communities. Producing our products in Vermont allows us to provide jobs for Vermonters. We support a livable wage for all and provide that to our employees.”

April Moulaert, co-owner of **Vermont Tortilla Company**

“

The Co-op started about 46 years ago, in 1975, and the motivation was to get organic and local food to people in this area. There were some other stores around, but the organic and local piece was missing. A lot of people were moving to Vermont, starting homes, farms, and wanting a place to sell what they were growing.”

Emily Hershberger, general manager of **Buffalo Mountain Food Coop**

Community Giving

In 2020, we donated a total of \$251,758 to support those in need of food, shelter, heat, financial literacy, and COVID-19 relief, as well as in support of the environment.

As the pandemic began, **we distributed \$50,000 to the five finalists in the member-directed We Care 2 program.** Awards went to:



In early November, we made a \$15,000 donation to the Burlington BIPOC (black, indigenous, and people of color)-owned Business Support Program.

Administered by the Office of Racial Equity, Inclusion and Belonging, the program is designed to support minority-owned businesses that were unable to access federal business relief programs. The program has supported 29 businesses in the greater Burlington area.



Later that month, we allocated \$10,000 in matching funds for Capstone Community Action's Fuel Your Neighbors, powered by VSECU.

Fuel Your Neighbors is a community fundraising event supporting the most vulnerable through the winter with food and heating assistance. We also sponsored the program with \$4,000 in operational and marketing support.



ensure no one goes to bed cold or hungry this winter



TREASURER'S REPORT

The financial environment faced unprecedented stressors in 2020—interest rates fell to nearly zero percent and member spending activity declined for most of the year. Fortunately, we headed into the pandemic in a strong financial position that enabled us to weather the ups and downs of the economy. VSECU saw exceptional loan and deposit growth. As a result of this member-driven development, VSECU's assets also grew this year, rising by \$142.6 million to a balance of \$985.1 million. Net income ended the year at \$6.7 million, exceeding last year's total of \$6.3 million. The net worth ratio (capital as a percent of assets) at year-end was 8.45%.

During the year, net member loans grew by \$109.5 million, boosting interest income on member loans by \$2.3 million. Real estate secured loans account for \$102 million of the total loan growth. VSECU underwrote more than \$14.5 million in Paycheck Protection Program loans during the year, allowing businesses to continue to pay employees. Loans were funded by a healthy growth in member deposits of \$169.4 million, primarily from increased balances in share savings, money market, and share draft (checking) accounts. The increase in interest income from loans was returned to members by paying out \$3.86 million in dividends. Because our deposit growth was higher than our loan growth, we were able to pay down borrowed funds by \$37 million and save \$587,000 in interest expense over the prior year. The investment portfolio balance grew by \$28.9 million. Despite the increase in balances, interest income from investments decreased by \$518,000 due to the decreasing interest rate environment seen during the year.

We experienced a deterioration of our net worth ratio due to record-breaking deposit growth driven by increases in member deposit balances. We ended the year at 8.45%, down from 9.08% as of December 2019. Earnings, however, remained strong despite a 245% annual increase in our provision for loan loss reserve expense. Funding the loan loss reserve positions us well for anticipated increases in charges-offs next year. Our net income hit an all-time high, increasing by \$382,000 year-over-year and exceeding budget by 44.6%.

Our financial performance in 2020 occurred in conjunction with strong rankings on our Essential Intent Scorecard, which measures the impact we have on our members, the environment, and local communities. You can learn more about the scorecard and our progress on page 22 of this document. It is important to note how our corresponding success, in both financial and sustainable arenas, continues to prove that you can achieve financial success by making decisions that are grounded in values. Thank you for your membership and for your support over the course of this unparalleled year as we triumphed despite challenges to the financial, environmental, and social prosperity of our membership and communities.

Spencer Newman
Treasurer

STATEMENT OF FINANCIAL CONDITION

ASSETS	12/31/2020	12/31/2019
Member loans, net ALL	\$826,040,316	\$716,564,740
Investments	\$111,616,419	\$82,709,419
Fixed Assets	\$14,944,238	\$15,697,057
NCUA SIF	\$7,862,727	\$6,719,905
Other Assets	\$24,627,651	\$20,754,508
Total Assets	\$985,091,351	\$842,445,629
LIABILITIES, MEMBER DEPOSITS AND EQUITY	12/31/2020	12/31/2019
Liabilities	\$9,966,294	\$12,667,970
Borrowed Funds	\$385,000	\$37,385,000
Member Deposits	\$884,700,375	\$715,262,965
Non-Member Deposits	\$4,527,000	\$-
Regular Reserves	\$11,953,743	\$11,953,743
Undivided Earnings	\$71,261,709	\$64,580,235
Other comp. gain/(loss)	\$2,297,230	\$595,716
Total Liabilities and equity	\$985,091,351	\$842,445,629

STATEMENT OF INCOME

FOR THE YEAR ENDED	12/31/2020	12/31/2019
Member loan interest	\$32,684,114	\$30,403,655
Investment interest	\$1,689,092	\$2,207,005
Total Interest income	\$34,373,206	\$32,610,660
Dividend exp on deposits	\$3,858,592	\$4,859,155
Interest expense on borrowing	\$296,664	\$883,873
Total interest expense	\$4,155,256	\$5,743,028
Net interest income	\$30,217,950	\$26,867,632
Provision for loan loss exp	\$3,092,889	\$895,384
Net interest income, after pll.	\$27,125,061	\$25,972,248
Non-interest income	\$10,619,932	\$10,418,700
Non-interest expense	\$31,080,169	\$30,027,959
Non-Operating (loss)/gain	\$16,650	\$(63,861)
Net Income	\$6,681,474	\$6,299,128





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