



SOUTH CAROLINA  
FEDERAL  
CREDIT UNION™

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**2020 ANNUAL REPORT**

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## CHAIRMAN'S REPORT

As we reflect on 2020, a year filled with challenges, changes, and triumphs, we have a lot for which to be proud. At South Carolina Federal Credit Union, our “people helping people” philosophy was on full display, embodied more deeply and authentically than ever before. South Carolina Federal’s leadership team and employees remained steadfast, flexible, and poised to meet members’ needs in some of the most unique circumstances that we have seen in our lifetime. I can say with complete confidence that I have never been more proud to be part of South Carolina Federal Credit Union.

As a not-for-profit cooperative, South Carolina Federal Credit Union is overseen by a volunteer Board of Directors that establishes, reviews, and approves policies of the organization. It is my privilege to serve as Chairman this year, with this esteemed board, to help guide our credit union and serve our membership in the midst of a global pandemic.

Despite the circumstances, 2020 was another robust year for the credit union. Continued strong financial performance, coupled with outstanding service, led to impressive accolades from local and national publications, including:

- *Charleston City Paper* – Best Financial Institution and Best Mortgage Company
- *Charleston Living* – Best Credit Union
- *Forbes* – Best In-State Financial Institution winner
- *Lowcountry Parent* – Mom’s Choice Award: #1 Best Bank/Credit Union
- *Moultrie News* – Readers’ Choice: Best Bank/Credit Union (winner) and Best Mortgage Broker (finalist)

These honored distinctions are a testament to the dedication and commitment we have to our members and the communities we serve. Each and every employee of the credit union contributes to its success, and these esteemed recognitions stand in attestation.

This level of member service and community affinity is only attainable with a diverse group of employees who are passionate about what they do and who feel valued and accepted. The credit union’s leadership is committed to maintaining its renowned culture and ensuring that all employees have the tools, resources, and accepting environment they need to thrive.

Their efforts were evident and celebrated by the following awards from 2020:

- Eighth time Best Place to Work in South Carolina from the South Carolina Chamber of Commerce; seventh in the state in the large employer category
- Fifth time Best Credit Unions to Work For in the United States by the *Credit Union Journal*; sixth overall and second among credit unions with assets over \$1 billion
- Third time Glassdoor Best Places to Work; 30th in the small and medium business category
- Excellence in Workplace Diversity from the South Carolina Chamber of Commerce
- HR Professional of the Year from the South Carolina Chamber of Commerce, awarded to Leslie Norris, Chief Human Resources Officer

In an effort to maintain both a productive workforce and satisfied membership, we regularly solicit feedback to identify that which we are doing well and areas of opportunity for growth. This is done through a national organization called Member Loyalty Group and a measurement tool called Net Promotor Score® (NPS), which is used to gauge our members’ experience and loyalty.

- South Carolina Federal’s NPS exceeds all average industry scores and surpasses banking industry scores.
- Member experience scores are higher than the credit union industry benchmark.
- The level of service provided in our contact center and financial centers is recognized as best in class by Member Loyalty Group, yielding better scores than 75% of credit unions in the nation.

It is my pleasure as Chairman to congratulate the South Carolina Federal team on a job very well done in 2020. The passion our employees bring to their jobs every day benefits our peers, members, and communities. Finally, thank you to my fellow board members, supervisory committee members, volunteer advisors, and senior leadership for another year of sound governance.



**RICHARD I. BUCKNER**  
Chairman, Board of Directors

## PRESIDENT'S REPORT

The year 2020 was unlike any other. As the President and CEO of South Carolina Federal Credit Union, I would like to begin my remarks by acknowledging our members, who have shown patience, agility, and loyalty in the face of extremely difficult circumstances. I would also like to recognize our employees. Our staff worked tirelessly to serve our members and communities this past year, all while doing so from temporary remote work environments and financial centers outfitted with an array of new health and safety protocols. Although we faced a number of significant challenges in 2020, together we navigated the year with resolve, passion, and dedication.

Looking forward to 2021, we are optimistic about what the future holds. Though we will likely feel the impacts of the pandemic for some time, our organization has proven that we can overcome any challenge we face.

Our employees continue to work diligently to ensure members are able to keep more of their hard-earned money in their pockets and take advantage of opportunities in the market. Our financial centers are poised to assist members with their loan and deposit needs, while our Business Services team remains steadfast in their desire to help many small and local businesses flourish. SCF Solutions™, LLC, our Credit Union Service Organization (CUSO), stands at the ready to assist members with their retirement goals and offers a variety of insurance options to protect folks when they need it most.

To continue supporting these efforts, we will:

- **Maintain safety and soundness.** Our top priority as a financial institution is to maintain safety and soundness. We are confident that we have the right operational structure, leadership, and financial parameters in place to do this effectively.
- **Achieve high levels of member service.** As a credit union, we exist solely to serve our members. We are dedicated to providing best-in-class service while helping members achieve comprehensive financial wellness. We will continue to adhere to strict health protocols so we can serve our communities safely.

- **Pursue strategic growth opportunities.** This year marks our entry into the Greenville market with a targeted focus on mortgages. Building brand and product awareness in this market will be key and will position us for future growth and expansion.
- **Remain a Best Place to Work.** We will continue to focus on boosting employee engagement and maintaining a corporate culture where employees feel included, valued, and accepted. Our diversity, equity, and inclusion efforts will remain a top priority.

Our members have a wide variety of options for meeting their financial needs, and we know that we must continue to provide impeccable service to ensure that South Carolina Federal remains their first choice. I want to offer my sincere thanks to our volunteer leaders and dedicated employees for everything you do to make us a Best Credit Union and a Best Place to Work. And to our member-owners, thank you for your trust, partnership, and investment into your communities.



**SCOTT WOODS, CPA**

President and Chief Executive Officer

# SUPERVISORY COMMITTEE REPORT

On behalf of the South Carolina Federal Credit Union Supervisory Committee, I am pleased to present the annual audit report for the year ended December 31, 2020.

By law, credit unions are required to have a Supervisory Committee, which is responsible for the oversight of all financial activities of the credit union, including the assessment of management practices required to safeguard South Carolina Federal's assets. At South Carolina Federal Credit Union, five volunteers, appointed by the credit union board, serve to meet the goals and objectives of the Committee.

Specifically, the Committee must determine the sufficiency of the following:

1. Policies and procedures required to safeguard against errors and omissions and to avoid conflicts of interest
2. The proper execution of policies, plans, and procedures by credit union management
3. Internal controls necessary to ensure the financial soundness and stability of the credit union
4. Financial reports and accounting data prepared in a timely manner which properly reflect operations and results

The Committee utilizes the services of both internal and external audit personnel. The Committee regularly meets with the credit union's Audit Services Department to ensure that the department is performing appropriate operational, compliance, and financial audits.

Additionally, the Committee meets with independent (external) auditors and federal regulatory examiners to review findings and recommendations, which provide reasonable assurances for adequate safeguarding of credit union assets.

In accordance with NCUA regulations, an independent audit is conducted annually of the credit union's financial reporting. The Committee engaged the services of Doeren Mayhew CPAs and Advisors to perform the 2020 Financial Statement Audit. The Committee has reviewed the audit and is pleased to report that the auditors have issued an unmodified opinion of the credit union's 2020 financial statements.

Based upon the Committee's review of internal and independent external audits, reports of examinations by regulators, and the Committee's own observations, the Committee has concluded that South Carolina Federal Credit Union has institutional practices and policies in place that are sufficient to ensure the membership's assets are safeguarded by the credit union.

The volunteer members of the Supervisory Committee are grateful for the opportunity to serve the members of South Carolina Federal Credit Union. We will continue to perform our duties to maintain the trust and confidence the members have placed in us.



**MICHELLE KELLEY, ESQ.**

Chairman, Supervisory Committee

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 352,707,263	\$ 144,668,538
Interest bearing deposits	9,405,000	—
Loans held for sale	7,863,600	—
Loans to members, net of allowance for loan losses	1,578,534,942	1,462,774,711
Federal Home Loan Bank (FHLB) stock	8,449,700	8,482,100
Accrued interest receivable	3,537,038	3,464,554
Credit union owned life insurance (COLI)	43,666,155	42,463,474
Split-dollar life insurance (SDLI)	46,933,372	49,171,661
Prepaid and other assets	24,805,330	19,777,575
Property and equipment, net	87,178,970	81,638,270
Goodwill	5,834,872	5,993,107
National Credit Union Share Insurance Fund (NCUSIF) deposit	15,367,454	13,106,748
<b>TOTAL ASSETS</b>	<b>\$ 2,184,283,696</b>	<b>\$ 1,831,540,738</b>

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<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities:</b>		
Members' shares and savings accounts	\$ 1,767,971,578	\$ 1,436,011,536
Borrowed funds	158,600,446	161,073,661
Accrued expenses and other liabilities	26,285,046	21,838,652
Total liabilities	1,952,857,070	1,618,923,849
Commitments and contingent liabilities		
<b>Members' equity:</b>		
Regular reserve	16,159,488	16,159,488
Undivided earnings	205,696,899	193,678,319
Equity acquired through merger	9,570,239	2,779,082
Total members' equity	231,426,626	212,616,889
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 2,184,283,696</b>	<b>\$ 1,831,540,738</b>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2020 and 2019

	2020	2019
<b>INTEREST INCOME</b>		
Loans to members	\$ 63,488,446	\$ 62,448,911
Investments	1,056,267	3,224,426
Total interest income	64,544,713	65,673,337
<b>INTEREST EXPENSE</b>		
Members' shares and savings accounts	4,324,831	5,177,890
Borrowed funds	3,684,127	4,395,505
Total interest expense	8,008,958	9,573,395
Net interest income	56,535,755	56,099,942
Provision for loan losses	4,164,818	2,480,000
Net interest income after provision for loan losses	52,370,937	53,619,942
<b>NON-INTEREST INCOME</b>		
Fees and service charges	20,367,799	18,293,576
Interchange income	14,010,192	13,395,201
Gain on sale of mortgage loans	6,979,645	997,385
Other income	4,390,365	3,758,854
Insurance income	2,330,864	2,571,298
COLI and SDLI income	1,952,865	2,133,522
Total non-interest income	50,031,730	41,149,836
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	48,334,413	44,913,397
Office operations	22,750,433	20,866,168
Office occupancy	6,649,083	6,001,453
Loan servicing	4,039,962	2,154,813
Other expense	4,016,091	3,744,642
Professional and outside services	3,259,172	2,917,122
Advertising costs	1,334,933	2,250,412
Total non-interest expense	90,384,087	82,848,007
<b>NET INCOME</b>	<b>\$ 12,018,580</b>	<b>\$ 11,921,771</b>

# ANNUAL MEETING MINUTES

MONDAY, AUGUST 24, 2020  
2:00 P.M.

## ATTENDEES (By Phone/Zoom)

### BOARD OF DIRECTORS:

**Richard I. Buckner**, Chairman  
**J. Ralph Cathey**, Vice Chairman  
**Joseph E. Bolchoz, Jr.**, Secretary  
**Mary L. Whited, CPA**, Treasurer  
**COL Kelvin L. Brown**, Member  
**BG J. Emory Mace (Ret.)**, Member  
**George H. Shaver**, Member

### SUPERVISORY COMMITTEE:

**CAPT R. Patrick Flynn, Esq.**, Chairman  
**Michelle P. Kelley, Esq.**, Vice Chairman  
**Matthew Alexander**, Secretary  
**Joseph S. Daning**, Member  
**Joseph E. Bolchoz, Jr.**, Board Liaison

### VOLUNTEER ADVISORS:

**Robert E. Bendetti, Jr., CPA**  
**LTC Robert Spafford**

### MANAGEMENT:

**Scott Woods, CPA**, President/CEO  
**Dr. Troy Hall**, Chief Strategy Officer  
**Joe Grech, CPA**, CFO, Finance  
**Trey Gantt**, COO  
**Leslie Norris**, SVP, HR and Development  
**Brad Williams**, CTO, Information Technology  
**David Dulaney**, SVP, Lending Services  
**Kevin Kosco**, SVP, Retail Sales and Service  
**Margaret Miller**, Consulting SVP, Audit Services  
**Nikki Thompson**, SVP, Audit Services  
**Bonnie Ciuffo**, President, SCF Solutions™, LLC  
**Beth Jaskiewicz**, Executive Director,  
SC Federal Credit Union Foundation

### TRANSCRIBING:

**Natalie Geiger**, Executive Administrator to the CEO

## SOUTH CAROLINA FEDERAL CREDIT UNION 2020 ANNUAL MEMBERSHIP MEETING

South Carolina Federal Credit Union held its 84th Annual Membership Meeting on August 24, 2020, via Zoom due to the Coronavirus and concerns for the safety and well-being of our employees, volunteers, and membership. Mr. Richard Buckner, Board Chairman, called the meeting to order at 2:00 p.m. In light of the virtual format, and in lieu of the Pledge of Allegiance and Invocation, Mr. Buckner instead sought Divine guidance and blessings on this organization and this meeting, and affirmed the credit union's commitment of loyalty and patriotism to the United States of America.

Mr. Woods reviewed several administrative protocols in advance of the virtual meeting to prevent confusion and disruptions and provide guidance to members new to participating in this meeting format.

Mr. Buckner asked if a quorum of the membership was present. Mr. Bolchoz confirmed a quorum was present, and with that, Mr. Buckner declared the 2020 Annual Membership Meeting officially in session. Mr. Buckner introduced himself as the Chairman and subsequently introduced all members of the Board of Directors, Supervisory Committee, Volunteer Advisors, and the President and CEO.

Mr. Buckner requested a motion to approve the minutes of the annual membership meeting held April 22, 2019. Mr. Shaver moved for approval of the minutes, and Gen. Mace seconded. Mr. Buckner asked all in favor to say "aye." All board members said "aye," and with that, the minutes were declared approved.

Mr. Buckner then invited Ms. Whited to provide the **Treasurer's Report** and share the 2019 year-end figures with the membership:

- **Dividends Paid to Members** – South Carolina Federal paid \$5.2 million in dividends to members in 2019, compared to \$2.8 million in 2018. This was an 85% increase, which resulted from higher rates and deposit balances.
- **Deposit and Loan Growth** – Deposits increased by 5.8%, while loans increased by 2.2%.



## ANNUAL MEETING MINUTES (continued)

- **Asset Growth** – Assets are all tangible property or rights such as loans, investments, cash, and receivables owned by the credit union. Assets increased by 1.7%, or \$30 million, and ended 2019 with \$1.83 billion in assets.
- **Delinquency** – Delinquency represents the percentage of borrowers who are late paying back their loans. Our delinquency increased from .26% at year-end 2018 to .34% in 2019.
- **Net Worth** – Net Worth, also known as members' equity, represents accumulated earnings of the credit union that are set aside to guarantee the safety and security of member deposits. Net Worth is measured as a percent of total assets. Net Worth increased from 10.98% at year-end 2018 to 11.60% at year-end 2019, which is a very strong number, well within federal regulations, and within the capital plan established by the Board to ensure the safety of member deposits.

This concluded the Treasurer's Report, and the floor was returned to the board chairman.

Mr. Buckner thanked Ms. Whited for the Treasurer's Report and turned the floor over to CAPT Flynn for the **Supervisory Committee Report**. CAPT Flynn referred to page 3 of the 2019 Annual Report for the formal Supervisory Committee Report. As stated in the 2019 Annual Report, the Supervisory Committee engaged the services of Doeren Mayhew CPAs and Advisors to perform the 2019 Financial Statement Audit for South Carolina Federal Credit Union. The Committee reviewed the Audit Report by Doeren Mayhew and confirmed that the auditors issued an unmodified opinion of the credit union's 2019 financial statements. Based on the Committee's review of the internal and independent external audits, reports of examinations by regulators, and the Committee's own observations, the Committee concluded that South Carolina Federal Credit Union has sufficient institutional practices and policies in place to ensure that the members' assets are safeguarded by the credit union. On behalf of the volunteer members of the Supervisory Committee, CAPT Flynn conveyed appreciation for the opportunity to serve the members of South Carolina Federal credit union. This concluded the report of the Supervisory Committee, and the floor was returned to the board chairman.

Mr. Buckner thanked CAPT Flynn for his report and asked if there was any unfinished business, but there was none. Mr. Buckner asked if there was any new business. Hearing none, he turned the floor over to Mr. Woods to recognize the South Carolina Federal Credit Union Foundation charities. The Foundation was established in 2013 with the mission to support charitable and educational efforts related to basic human needs, through contributions and volunteerism, for the betterment of the communities served by South Carolina Federal Credit Union. As of the end of 2019, we had donated over \$1.4 million to help people in need throughout the communities we serve. The following list contains the non-profit charities supported by the Foundation: Alzheimer's Association, American Red Cross (Lowcountry Chapter), Charleston Animal Society, Lowcountry Food Bank, Lowcountry Orphan Relief, MUSC Children's Hospital and Palmetto Health Children's Hospital, Trident United Way, United Way of the Midlands and Georgetown County United Way, and Water Mission. Employees pledged \$87,611.31 to external charities, as well as \$18,548.71 to our Employee Relief Fund. The credit union pledged \$50,000 as its corporate match for a grand total of \$156,160.02. This concluded the President's Report, so Mr. Woods returned the floor to the board chairman.

Mr. Buckner asked if there was any additional new business. Hearing none, he turned the floor over to Mr. Cathey for the **Nominating Committee Report** and election results. At the end of 2019, three positions on the Board were open for renewal. An announcement was placed in the September 2019 issue of our InBalance member newsletter; however, no nominations were received from the membership. Based on the individuals' qualifications, their commitment to service to South Carolina Federal Credit Union, and in accordance with Article 6, Section 3 of the credit union bylaws, the Nominating Committee recommended **Brigadier General J. Emory Mace (Ret.)**, **George H. Shaver**, and **Joseph E. Bolchoz, Jr.** to serve on the Board of Directors each for a three-year term to expire in April 2023. Therefore, in accordance with Article 5, Section 1 of the credit union bylaws, Brigadier General J. Emory Mace (Ret.), George H. Shaver, and Joseph E. Bolchoz, Jr., were elected by acclamation to the Board of Directors of South Carolina Federal. This concluded the report, and the floor was returned to the board chairman.

## ANNUAL MEETING MINUTES (continued)

Mr. Buckner thanked Mr. Cathey and the members of the Nominating Committee, then reintroduced President and CEO Scott Woods for the President's Report.

Mr. Woods said he believed this was the first time in South Carolina Federal's 84-year history that we have not met in person for an annual meeting. He extended appreciation to each attendee for taking the time to participate in this virtual meeting to help keep everyone as safe and healthy as possible.

While so much has changed since 2019, the year was one of growth for the credit union. Through a series of events, we were able to expand in the communities we serve, while helping some other credit unions get a fresh start. In 2019, we added Spartan Federal Credit Union to our membership, bringing South Carolina Federal to the upstate. The Greenville/Spartanburg market is a strong addition to our financial center network as it is a leader in the state's economic engine. We also increased our footprint in the Columbia area with the addition of our new Sunset Boulevard financial center in Lexington. Finally, we continued to develop the newer market of Florence by initiating a merger with Health Facilities Federal Credit Union, which was completed in March 2020.

Through an increase in membership and access for people to financial services, we were able to drive down the cost for all and increase our ability to lend and provide deposit options at healthy and competitive rates throughout all our markets. The satisfaction of the members was reflected in our key metrics for 2019 as we surpassed our goals for loan growth, checking accounts, credit cards, and utilization of our insurance products. Additionally, our Bank at Work team brought 37 new company relationships to the credit union from across the state. SCF Solutions™, LLC, our wholly-owned service company, helped members meet retirement goals and provided a variety of insurance coverage options.

In 2019, the assets of South Carolina Federal grew to over \$1.8 billion. We paid \$5.2 million dollars in dividends to members, as stated, and were able to increase our net worth by over 7% year-over-year, all of which makes for a very sound financial

institution. We could not do this without having the highest quality of employees who take the time to make an extra phone call to ensure our member has all the tools they need to make wise financial decisions, or provide financial literacy classes in classroom settings.

While a global pandemic may have changed the way we do business in 2020, it did not change our commitment to providing excellent member service and maintaining the safety and soundness of the credit union. In spite of the trials we have faced in 2020, we have positioned ourselves for success, yet we have seen unprecedented loan growth and member satisfaction.

Mr. Woods thanked those who have contributed to the many successes of South Carolina Federal Credit Union—the credit union staff, our Board of Directors, the Supervisory Committee, our Volunteer Advisors, and our members—for supporting and sustaining their credit union. While no questions were received from the members in advance of today's meeting, Mr. Woods encouraged anyone with questions to reach out to the credit union for answers.

Mr. Buckner stated the **Chairman's Report** could be found on page 1 of the 2019 Annual Report, which today's meeting attendees received by email. (This Report may also be found on [scfederal.org](http://scfederal.org).) The mission of the credit union is to provide convenient and competitive financial services that exceed our members' expectations. In 2019, South Carolina Federal won *Charleston City Paper's* "Best Financial Institution" and "Best Mortgage Company." Additionally, we were named "Best Financial Institution" by *Lowcountry Parent* magazine and the *Post and Courier*. We also received the *Summerville Journal Scene's* "Readers' Choice" Award. The credit union's Net Promoter Score® (NPS), which is a measurement of member satisfaction, remained strong, indicating members are consistently pleased with the level of service they receive from the credit union. These awards, combined with our NPS demonstrate that South Carolina Federal is fulfilling its mission of exceeding members' expectations.

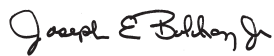
## ANNUAL MEETING MINUTES (continued)

South Carolina Federal Credit Union also believes in the credit union philosophy of people helping people. To assist members of the communities we serve, we awarded \$50,000 in scholarships to students through our annual scholarship program. Finally, we believe in providing an excellent work environment by connecting remarkable people with exceptional opportunities and encouraging employees to bring passion to their work. This mindset earned South Carolina Federal the 2019 “Best Places to Work” and “Best CEO” awards from Glassdoor. We were also named one of the “Best Places to Work in South Carolina” by the South Carolina Chamber of Commerce and one of the “Best Credit Unions to Work For” by the *Credit Union Journal*.

Mr. Buckner thanked his fellow board members, supervisory committee members, volunteer advisors, the management of South Carolina Federal, the hard working and dedicated staff, and our diverse membership.

There being no further business to discuss, Mr. Buckner requested a motion to adjourn the meeting. COL Brown moved that the meeting be adjourned, and Mr. Bolchoz seconded. With that, Mr. Buckner declared the meeting adjourned at 2:18 p.m.

Respectfully submitted,



**JOSEPH E. BOLCHOZ, JR.**  
Secretary, Board of Directors



**RICHARD I. BUCKNER**  
Chairman, Board of Directors

## LEADERSHIP

### BOARD OF DIRECTORS

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**J. Ralph Cathey**, Vice Chairman  
**Joseph E. Bolchoz, Jr.**, Secretary  
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**Joseph S. Daning, MA**, Secretary  
**CAPT R. Patrick Flynn, Esq.**, Member  
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**Robert E. Bendetti, Jr., CPA**  
**LTC Robert Spafford, CCUB**



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