



SOUTH CAROLINA  
FEDERAL  
CREDIT UNION™

LIFESIMPLIFIED™

## 2021 ANNUAL REPORT

Insured by NCUA



# CHAIRMAN'S REPORT

2021 was another fantastic year for South Carolina Federal Credit Union, as we continued to serve members with dedication, deepen relationships within our communities, and maintain fiscal soundness. While the effects of the pandemic wore on, the resolve of our members, communities, and employees grew stronger. What a privilege it has been to experience firsthand the commitment to excellence.

As a not-for-profit financial cooperative, South Carolina Federal is overseen by a volunteer board of directors that establishes and reviews the policies of the organization with the help of the senior leadership team. It is my privilege to serve as chairman this year, with this esteemed board, and help guide our credit union to maintain organizational and financial safety while ensuring member service remains a top priority.

The credit union earned numerous media accolades in 2021, including:

- *Charleston City Paper* – Best Financial Institution and Best Mortgage Company
- *Charleston Living* – Best Credit Union
- *Lowcountry Parent* – Best Bank/Credit Union
- *Moultrie News* – Best Bank/Credit Union and Best Mortgage Broker
- *Mount Pleasant Magazine* – Best Credit Union
- *The Berkeley Independent* and *The Gazette* – Best Credit Union

Recognitions like these are especially cherished because they are a testament to the outstanding service we provide and the reputation we have built in the communities we serve. They not only measure the credit union's success, but speak volumes to the quality, dedication, and passion each and every employee brings in service of our members day after day.

In addition to being honored as a best place to bank, we also received several Best Place to Work awards in 2021:

- Ninth time Best Place to Work in South Carolina from the South Carolina Chamber of Commerce; seventh in the state in the large employer category
- Sixth time Best Credit Union to Work For in the United States by the *Credit Union Journal*; fourth overall and second among credit unions with assets over \$1 billion

- Fourth time Glassdoor Best Places to Work; tenth in the small and medium business category
- Glassdoor Top CEO; fifth in the small and medium business category
- Charleston Healthy Business Challenge Platinum Award

In an effort to maintain both a productive workforce and satisfied membership, we regularly solicit member feedback to identify areas in which we are doing well and opportunities for growth. This is done through a national organization called Member Loyalty Group and a measurement tool called Net Promotor Score® (NPS). NPS helps the credit union measure and manage member loyalty and predicts overall business growth and member lifetime value. I am pleased to report that:

- 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.

Another vital tool used to gauge member satisfaction is Google reviews. This online reputation management tool provides unique insights and enables prospective members to obtain a sense of the South Carolina Federal difference by reading unbiased reviews from members like you. Through dedicated focus on providing consistently excellent member experiences, South Carolina Federal surpassed a significant milestone with Google reviews in 2021, as all financial centers achieved four star and higher ratings.

I would like to congratulate the South Carolina Federal team on a job very well done in 2021. Thank you to my fellow board members, our volunteer advisors, and the credit union's senior leadership team for another year of sound governance and quality service delivery.



**J. RALPH CATHEY**

Chairman, Board of Directors

## PRESIDENT'S REPORT

The year 2021 marked our 85<sup>th</sup> year of serving the great state of South Carolina, and I am so proud of all that we accomplished. Anniversaries are a time to remember the humble beginnings of the credit union and pay homage to the folks who, in 1936, had a vision that accessible financial services be offered to employees of the shipyard. The South Carolina Federal of today continues that mission to bring financial products and services to members, but has expanded well beyond the shipyard to all over South Carolina.

In 2021, in the midst of the ongoing pandemic, the credit union continued to reach and exceed financial and service goals. Looking back, I am proud of how your credit union:

- Continued to navigate the impacts of the pandemic
- Expanded our footprint to serve even more people across the state
- Invested in technology to enhance our members' experience

We worked very hard to reach these goals, all while keeping member and employee safety a top priority. Our contact center and financial centers worked together to provide members with the highest level of service in the safest manner possible. We exceeded almost all of our lending and deposit goals in 2021, which contributed to the financial health and stability of the credit union. As a not-for-profit financial cooperative, when the credit union meets or exceeds financial goals, all members receive the benefits in terms of lower rates, fewer fees, and expanded services.

A particular highlight of 2021 was the board-approved expansion to serve members in the Greenville/Spartanburg area in the upstate of South Carolina. This unique market, nestled in the foothills of the Blue Ridge Mountains, is thriving and we are excited to be part of the growth they are experiencing. We currently have two financial centers in Spartanburg and will soon be welcoming the members of G.H.S. Federal Credit Union in May 2022. In the Charleston area, the credit union added another financial center to the rapidly expanding town of Mt. Pleasant. Conveniently located off Highway 17 in North Mt. Pleasant, this location has seen tremendous activity since it opened its doors in November.

Technology in banking is evolving at a rapid pace and is a mainstay of the member experience. South Carolina Federal continues to strengthen our online presence and improve banking options with convenience and ease-of-use in mind. We added several new features to our online and mobile banking platforms last year, including Zelle®, My Credit Score, Digital Wallet, and member e-sign capability. We also deployed contactless debit cards, making it even easier for members to pay safely and securely.

Our presence on the internet continued to grow through strategic online advertising and we had over 1.1 million people visit our website, [scfederal.org](http://scfederal.org), in 2021. The website is typically the first stop for members and potential members seeking information on credit union products and services. It is also a great resource for financial education and an easy way to get connected with a member service representative. Continued investment in our website and other online channels will be crucial to ensuring our members have the tools they need to bank when and where they want.

South Carolina Federal is more than a growing financial institution; we are an organization that is committed to the wellness of our employees and our members, and strive to be a leader in the communities that we humbly serve. Our success in 2021 is a direct reflection of our dedicated volunteers, hardworking staff, and our incredible members who trust us with their financial wellbeing. On behalf of South Carolina Federal, thank you for being a part of our family. Our future is bright, and we look forward to serving you for many years to come.



**R. SCOTT WOODS, CPA, CIA, MBA**  
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, 2021.

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 2021 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 2021 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, which are sufficient to ensure that 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, which the members have placed in us.



**MATTHEW ALEXANDER**

Chairman, Supervisory Committee

# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 609,294,228	\$ 352,707,263
Interest bearing deposits	1,723,000	9,405,000
Loans held for sale	1,833,550	7,863,600
Loans to members, net of allowance for loan losses	1,561,824,177	1,578,534,942
Federal Home Loan Bank (FHLB) stock	6,509,100	8,449,700
Accrued interest receivable	3,292,821	3,537,038
Credit union owned life insurance (COLI)	44,861,271	43,666,155
Split-dollar life insurance (SDLI)	62,084,816	46,933,372
Prepaid and other assets	22,882,883	24,805,330
Property and equipment, net	91,477,416	87,178,970
Goodwill	4,050,360	5,834,872
National Credit Union Share Insurance Fund (NCUSIF) deposit	17,687,440	15,367,454
<b>TOTAL ASSETS</b>	<b>\$ 2,427,521,062</b>	<b>\$ 2,184,283,696</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities:</b>		
Members' shares and savings accounts	\$ 2,009,180,726	\$ 1,767,971,578
Borrowed funds	142,412,946	158,600,446
Accrued expenses and other liabilities	25,039,527	26,285,046
Total liabilities	<u>2,176,633,199</u>	<u>1,952,857,070</u>
Commitments and contingent liabilities		
<b>Members' equity:</b>		
Regular reserve	16,159,488	16,159,488
Undivided earnings	225,158,136	205,696,899
Equity acquired through merger	9,570,239	9,570,239
Total members' equity	<u>250,887,863</u>	<u>231,426,626</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 2,427,521,062</b>	<b>\$ 2,184,283,696</b>

# CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2021 and 2020

	2021	2020
<b>INTEREST INCOME</b>		
Loans to members	\$ 63,695,441	\$ 63,488,446
Investments	922,966	1,056,267
Total interest income	64,618,407	64,544,713
<b>INTEREST EXPENSE</b>		
Members' shares and savings accounts	3,268,890	4,324,831
Borrowed funds	2,995,514	3,684,127
Total interest expense	6,264,404	8,008,958
Net interest income	58,354,003	56,535,755
Provision for loan losses	35,000	4,164,818
Net interest income after provision for loan losses	58,319,003	52,370,937
<b>NON-INTEREST INCOME</b>		
Fees and service charges	21,577,731	20,367,799
Interchange income	16,714,425	14,010,192
Other income	4,676,098	2,649,355
Gain on sale of mortgage loans	3,752,430	6,979,645
Commission on investments services	2,793,054	1,741,010
Insurance income	2,605,154	2,330,864
COLI and SDLI income	1,746,560	1,952,865
Total non-interest income	53,865,452	50,031,730
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	48,965,202	48,334,413
Office operations	25,264,645	22,750,433
Office occupancy	7,076,700	6,649,083
Other expense	4,020,262	4,016,091
Professional and outside services	3,152,553	3,259,172
Loan servicing	2,596,326	4,039,962
Advertising costs	1,647,530	1,334,933
Total non-interest expense	92,723,218	90,384,087
<b>NET INCOME</b>	<b>\$ 19,461,237</b>	<b>\$ 12,018,580</b>

# ANNUAL MEETING MINUTES

MONDAY, APRIL 26, 2021  
2:00 P.M.

## ATTENDEES

(Via 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:

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

### VOLUNTEER ADVISORS:

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

### MANAGEMENT:

**Scott Woods, CPA**, President/CEO  
**Joe Grech, CPA**, CFO, Finance  
**Trey Gantt**, COO  
**Leslie Norris**, CHRO  
**Dr. Troy Hall**, CSO  
**Brad Williams**, CTO, Information Technology  
**David Dulaney**, SVP, Lending Services  
**Kevin Kosco**, SVP, Retail Sales and Service  
**Nikki Thompson**, SVP, Audit Services  
**Kristy Vasquez**, SVP, Marketing  
**Bonnie Ciuffo**, President, SCF Solutions™, LLC

### ZOOM MEETING HOST:

**Laura Morris**, Executive Administrator  
to Senior Management

### TRANSCRIBING:

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

## SOUTH CAROLINA FEDERAL CREDIT UNION 2021 ANNUAL MEMBERSHIP MEETING

South Carolina Federal Credit Union held its 85<sup>th</sup> Annual Membership Meeting on April 26, 2021, via Zoom. Mr. Richard Buckner, Board Chairman, called the meeting to order at 2:00 p.m., and several administrative protocols were reviewed by Mr. Woods.

Mr. Buckner asked if a quorum of the membership was present. Mr. Bolchoz confirmed a quorum, and Mr. Buckner declared the 2021 Annual Membership Meeting officially in session. Mr. Buckner welcomed members to the meeting, introduced himself as the Chairman and subsequently introduced the 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 August 24, 2020. Ms. Whited moved to approve the minutes, and COL Brown seconded. The motion carried.

Mr. Buckner then invited Ms. Whited to provide the **Treasurer's Report** and share the 2020 year-end figures with the membership:

- **Dividends Paid to Members** – South Carolina Federal paid \$4.3 million in dividends to members in 2020, compared to \$5.2 million in 2019. This was a 17% decrease, which resulted from lower rates during the year.
- **Deposit and Loan Growth** – Deposits increased by 23.1%, while Loans increased by 8.1%.
- **Asset Growth** – Assets are all tangible property or rights such as loans, investments, cash and receivables owned by the credit union. Assets increased by 19%, or \$353 million, and ended 2020 at \$2.18 billion.
- **Delinquency** – Delinquency represents the percentage of borrowers who are late paying back their loans. Our delinquency decreased from .34% at year-end 2019 to .12% in 2020.
- **Net Worth** – Also known as members' equity, Net Worth represents accumulated earnings of the credit union set aside to guarantee the safety and security of member deposits. Net Worth decreased from 11.60% at year-end



## ANNUAL MEETING MINUTES (continued)

2019 to 10.59% at year-end 2020. This is a very strong number, which is 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. The floor was returned to the board chairman.

Mr. Buckner thanked Ms. Whited for the Treasurer's Report and turned the floor over to Ms. Kelley for the **Supervisory Committee Report**. As stated in the 2020 Annual Report, the Supervisory Committee engaged the services of Doeren Mayhew CPAs and Advisors to perform the 2020 Financial Statement Audit for South Carolina Federal. The committee reviewed the Audit Report by Doeren Mayhew and confirmed that the auditors issued an unmodified opinion of the credit union's 2020 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, they concluded that South Carolina Federal has sufficient institutional practices and policies in place to ensure the members' assets are safeguarded by the credit union. Ms. Kelley stated the volunteers who serve on the Supervisory Committee are grateful for the opportunity to serve the members of South Carolina Federal. This concluded the report of the Supervisory Committee. The floor was returned to the board chairman.

Mr. Buckner thanked Ms. Kelley for her 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 charities of the **South Carolina Federal Credit Union Foundation**. The South Carolina Federal Credit Union Foundation was established in 2013. Its mission is 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. As of the end of 2020, we donated over \$1.4 million to help people in need throughout the communities we serve, to include the following charities in 2020: the Alzheimer's Association, American Red Cross Chapters of the Lowcountry, Midlands, and Spartanburg/Florence, the Lowcountry Food Bank, Lowcountry Orphan Relief, MUSC Children's Hospital, Prisma

Health Children's Hospital of the Midlands and Upstate, McLeod Children's Hospital, Water Mission, My Sister's House, Trident United Way, United Way of the Midlands, Georgetown County United Way, Florence County United Way and United Way of Spartanburg. Employees pledged \$85,448 to external charities and \$24,464 to the credit union's Employee Relief Fund. The credit union pledged \$50,000 as its corporate match to external charities, and member contributions totaled \$15,181, for a grand total of \$175,093. The floor was returned to the board chairman.

Mr. Buckner asked if there was any additional new business. Hearing none, he turned the floor over to Gen. Mace for the **Nominating Committee Report** and election results. At the end of 2020, two positions on the Board were open for renewal. An announcement was placed in our members' September 2020 statements; however, no nominations were received from the membership. Based on the individuals' qualifications, their commitment to service to South Carolina Federal, and in accordance with Article 6, Section 3 of the Credit Union bylaws, the Nominating Committee recommended Mary L. Whited, CPA and COL Kelvin L. Brown, to serve on the Board of Directors each for a three-year term to expire in April 2024. In accordance with Article 5, Section 1 of the Credit Union bylaws, Mary L. Whited, CPA and COL Kelvin L. Brown, 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, Richard Buckner, for the Chairman's Report

Mr. Buckner stated the **Chairman's Report** could be found on page one of the 2020 Annual Report, which meeting attendees received by email. The 2020 Annual Report may also be found on the credit union's website, [scfederal.org](http://scfederal.org). Mr. Buckner shared that serving as chairman of the board for South Carolina Federal Credit Union the past two years had been both a great privilege and responsibility. The credit union's board of directors, supervisory committee members, and volunteer advisors are volunteers who share their collective experience and insights because they are invested in the success of the credit union and future of this industry. 2020 was a year unlike any other in the history of the credit union. While it was full of challenges and changes, 2020 was also a year of triumphs and a lot for which we

## ANNUAL MEETING MINUTES (continued)

remain proud. Just a few of the many “best of” awards included recognition from the *Charleston City Paper*, *Charleston Living*, *Moultrie News*, and *Forbes*. As an employer, South Carolina Federal also received the following accolades: Eighth time Best Place to Work in South Carolina and winner of the Excellence in Workplace Diversity Award from the South Carolina Chamber of Commerce; fifth time winner of the “Best Credit Unions to Work For” in the United States by the *Credit Union Journal*; third time Glassdoor “Best Places to Work” in the small and medium business category; and finally, our Chief Human Resources Officer, Leslie Norris, was named HR Professional of the Year by the South Carolina Chamber of Commerce. Our Net Promoter Score, which is a measurement of member loyalty, remained higher than the industry average, indicating members are consistently pleased with the level of service they receive from the credit union. In closing, Mr. Buckner thanked his fellow board members, other volunteers, the management of South Carolina Federal, the credit union’s hard working, dedicated staff, and devoted membership. The floor was returned to Mr. Woods to present the President’s Report.

Mr. Woods provided the **President’s Report**, which could be found on page two of the 2020 Annual Report. He thanked the members who joined South Carolina Federal Credit Union’s 2021 annual meeting remotely again this year. Mr. Woods acknowledged that the members of South Carolina Federal have shown patience, agility, and loyalty in the face of extremely challenging circumstances. He also recognized the credit union’s employees who worked tirelessly to serve the membership and communities in 2020, all while doing so from remote work environments and financial centers outfitted with an array of new health and safety fixtures and protocols. While we faced significant challenges in 2020, together, the year was navigated with resolve, passion, and dedication.

Looking to 2021, Mr. Woods stated he was optimistic about what the future holds, but realized the credit union will feel the impacts of the pandemic for some time. South Carolina Federal employees will continue to work diligently to ensure our 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 remain poised to assist members with their loans and deposit needs,

while our Business Services team remains steadfast in their desire to help businesses flourish. South Carolina Financial Solutions™, LLC, our subsidiary credit union service organization, stands ready to assist members with their retirement goals and offers a variety of insurance options for protection when it is needed most.

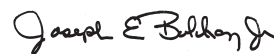
South Carolina Federal will focus on four priorities in 2021:

1. Maintaining the safety and soundness of the credit union through strategic leadership, efficient and effective operations and maintaining our financial strength
2. Continuing to achieve high levels of member service and remaining dedicated in helping members reach comprehensive financial wellness and achieve their personal financial goals
3. Building upon brand and product awareness in the Greenville market will be a key 2021 initiative as we continue our expansion into the upstate of South Carolina
4. Remaining a “Best Places to Work” company by building employee engagement and maintaining a corporate culture where employees feel valued, included, and accepted

Finally, Mr. Woods extended his sincere appreciation to the credit union’s volunteer leaders and dedicated employees. He thanked South Carolina Federal’s member-owners for their trust and partnership and for allowing us to meet their financial needs and invest in the communities we share. As no questions were submitted from the membership in advance, the floor was returned to the board chairman for adjournment of the meeting.

There being no further business to discuss, Mr. Buckner thanked the members again for their membership and requested a motion to adjourn the meeting. COL Brown moved to adjourn, and Mr. Bolchoz seconded. Mr. Buckner declared the meeting adjourned at 2:17 p.m.

Respectfully submitted,



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



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



## LEADERSHIP

### BOARD OF DIRECTORS

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

### SUPERVISORY COMMITTEE

**Matthew Alexander**, Chairman  
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**Michelle P. Kelley, Esq.**, Secretary  
**Robert E. Bendetti, Jr.**, Member  
**Joseph S. Daning**, Board Liaison

### VOLUNTEER ADVISOR

**LTC Robert Spafford, CCUB**



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