



SOUTH CAROLINA
FEDERAL
CREDIT UNION®

2022 ANNUAL REPORT

Insured by NCUA



CHAIRMAN'S REPORT

2022 was an incredible year for South Carolina Federal Credit Union, demonstrated by our fiscal soundness, member satisfaction, and community involvement. I am so thankful to celebrate another successful year for our organization, and appreciate the opportunity to reflect on some of our most significant achievements.

As a member-owned financial institution, South Carolina Federal is overseen by a volunteer board of directors that establishes and reviews the policies of the organization, along with our senior leadership team. I am honored to serve as board chairman this year, and I look forward to helping this credit union maintain organizational and financial safety while ensuring member service remains a top priority.

We hold ourselves to the highest standards for member satisfaction, and were enormously proud to receive the following media accolades in 2022:

- *Charleston City Paper* – Best Financial Institution
- *Charleston Living* – Best Credit Union
- *Lowcountry Parent* – Best Bank/Credit Union
- *Moultrie News* – Best Credit Union and Best Mortgage Broker
- *Mount Pleasant Magazine* – Best Credit Union
- *Summerville Journal Scene* – Best Credit Union

Recognitions from local and industry media are especially noteworthy as they highlight our reputation as a trusted financial institution, the quality of our member service, and our involvement in the communities we serve. These awards are a testament to our hardworking staff, who bring their passion for helping others every day.

Our dedicated credit union employees are the backbone of our organization. Fostering a corporate culture that allows us to recruit and retain a top-tier workforce is key to ensuring we continue to provide best-in-class service. We are honored to have earned several awards for being a Best Place to Work last year, including:

- Tenth time Best Place to Work in South Carolina from the South Carolina Chamber of Commerce; 6th in the large employer category
- Seventh time Best Credit Union to Work For in the United States by the *Credit Union Journal*; 2nd overall, 1st in South Carolina, and 1st among credit unions with assets over \$1 billion

- Fifth time Glassdoor Best Places to Work; 32nd in the small and medium business category
- LiveLifeBlue award for health and wellness from BlueCross BlueShield of South Carolina, Midlands region

Providing convenient and positive member experiences is a top priority for our credit union. To ensure we are delivering top-notch service, 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 us understand member loyalty and predicts overall business growth.

I am thrilled to report that:

- South Carolina Federal's NPS exceeds all average industry scores and surpasses banking industry scores.
- Our 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 way we monitor and measure member satisfaction is through Google reviews. This online reputation management tool provides us with valuable insights, and it gives prospective members the opportunity to read candid feedback from current members. We are extremely proud that, for the second year in a row, our financial centers maintained 4+ star ratings each. Thank you to everyone who submitted a review last year; we appreciate your feedback and encourage you to continue sharing your thoughts and experiences with us.

I would also like to thank my fellow board members, our other volunteer leaders, and the credit union's senior leadership team for another year of sound governance and exceptional member service. Congratulations to the entire South Carolina Federal team on a very successful 2022!



J. RALPH CATHEY
Chairman, Board of Directors

PRESIDENT'S REPORT

South Carolina Federal Credit Union is proud to celebrate another successful year of service to our members, business partners, and communities. As a member-owner of this credit union, you have a vested interest in our performance and plans for the future, and we delight in the opportunity to reflect on the past year with you.

In 2022, South Carolina Federal expanded our footprint, strengthened our suite of products and services, and supported members' financial wellbeing. Our most notable accomplishments include:

- Opening two financial centers in Greenville and breaking ground on our first location in Myrtle Beach
- Launching an online financial wellness program
- Enhancing the member experience with new online tools and improvements to our financial center locations

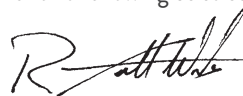
One of our biggest accomplishments in 2022 was finalizing the merger with G.H.S. Federal Credit Union. As a result of this merger, we established a footprint in Greenville and welcomed more than 8,000 new members to our family. To prepare for continued growth in this flourishing market, we also acquired properties that position us to open two additional financial centers in Greenville in 2023.

In addition to the credit union's growth in the Upstate, we continued our expansion efforts along the coast. We broke ground on a new financial center in Myrtle Beach, and plan to open this location — our first in Horry County — in June.

As a member-owned financial institution, our chief purpose is to improve the financial condition of the people we are privileged to serve. We do this in a variety of ways, from offering competitive rates to providing top-notch products and services. In 2022, we introduced another helpful resource for members: an online financial wellness program. This program offers a variety of educational content on topics such as budgeting, saving for retirement, and managing debt. With this tool, members can complete interactive assessments and receive personalized content designed to help them meet their financial goals.

We offer members a variety of ways to connect with us online and in-person, and we strive to provide a superior member experience across all of our delivery channels. In 2022, we continued to invest in our website, online banking platform, and mobile app to ensure members have access to their accounts anytime, anywhere. One new feature we launched last year was Live Chat, which connects members with a contact center employee or chatbot, providing convenient, on-demand access to information and helpful resources. We also implemented physical improvements in select financial centers last year, including a complete renovation of our Oakbrook location.

South Carolina Federal has served this great state since 1936. Though we have existed for more than 85 years, this credit union's commitment to our members and communities remains unchanged. Our accomplishments in 2022 highlight continued efforts to support our members, and we are proud of the progress we made. These achievements would not be possible without our dedicated volunteers, hardworking staff, and loyal members. Thank you for being part of the South Carolina Federal family, and for allowing us to serve you.



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, 2022.

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, 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 2022 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 2022 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 has institutional practices and policies in place, which 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. We will continue to perform our duties to maintain the trust and confidence members have placed in us.



MATTHEW ALEXANDER
Chairman, Supervisory Committee

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 374,925,553	\$ 609,294,228
Interest bearing deposits	18,355,000	1,723,000
Held-to-maturity investments	59,865,202	—
Loans held for sale	—	1,833,550
Loans to members, net of allowance for loan losses	1,816,231,282	1,561,824,177
Federal Home Loan Bank (FHLB) stock	6,651,100	6,509,100
Accrued interest receivable	4,793,671	3,292,821
Credit union owned life insurance (COLI)	46,051,691	44,861,271
Split-dollar life insurance (SDLI)	82,643,621	62,084,816
Prepaid and other assets	27,695,112	22,882,883
Property and equipment, net	100,575,834	91,477,416
Goodwill	3,632,220	4,050,360
National Credit Union Share Insurance Fund (NCUSIF) deposit	19,772,699	17,687,440
TOTAL ASSETS	\$ 2,561,192,985	\$ 2,427,521,062
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares and savings accounts	\$ 2,125,300,827	\$ 2,009,180,726
Borrowed funds	125,475,446	142,412,946
Accrued expenses and other liabilities	38,205,570	25,039,527
Total liabilities	<u>2,288,981,843</u>	<u>2,176,633,199</u>
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	—	16,159,488
Undivided earnings	257,780,454	225,158,136
Equity acquired through merger	14,430,688	9,570,239
Total members' equity	<u>272,211,142</u>	<u>250,887,863</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 2,561,192,985	\$ 2,427,521,062

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2022 and 2021

	2022	2021
INTEREST INCOME		
Loans to members	\$ 70,082,143	\$ 63,695,441
Investments	8,078,729	922,966
Total interest income	78,160,872	64,618,407
INTEREST EXPENSE		
Members' shares and savings accounts	2,950,193	3,268,890
Borrowed funds	2,659,952	2,995,514
Total interest expense	5,610,145	6,264,404
Net interest income	72,550,727	58,354,003
Provision for loan losses	6,000,000	35,000
Net interest income after provision for loan losses	66,550,727	58,319,003
NON-INTEREST INCOME		
Fees and service charges	22,283,463	21,577,731
Interchange income	17,637,852	16,714,425
Other income	3,730,465	4,676,098
Insurance income	2,747,614	2,605,154
COLI and SDLI income	2,299,225	1,746,560
Commission on investments services	2,268,477	2,793,054
Gain on sale of mortgage loans	585,079	3,752,430
Total non-interest income	51,552,175	53,865,452
NON-INTEREST EXPENSE		
Compensation and benefits	52,646,867	48,965,202
Office operations	27,340,403	25,264,645
Office occupancy	7,638,075	7,076,700
Other expense	5,914,770	4,020,262
Professional and outside services	3,958,051	3,152,553
Loan servicing	2,525,644	2,596,326
Advertising costs	1,616,262	1,647,530
Total non-interest expense	101,640,072	92,723,218
NET INCOME	\$ 16,462,830	\$ 19,461,237

ANNUAL MEETING MINUTES

MONDAY, APRIL 25, 2022
2:00 P.M.

ATTENDEES

BOARD OF DIRECTORS:

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

SUPERVISORY COMMITTEE:

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

VOLUNTEER ADVISOR:

COL Robert Spafford (*absent*)

MANAGEMENT:

Scott Woods, CPA, President/CEO
Joe Grech, CPA, CFO (*absent*)
Trey Gantt, COO
Leslie Norris, CHRO
Brad Williams, CTO
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 (*absent*)
Steven McGinnis, VP, Finance

ZOOM HOST/PRESENTATION DISPLAY:

Laura Morris, Executive Administrator
to Senior Management

TRANSCRIBING:

Natalie Geiger, Executive Administrator
to the President & CEO

SOUTH CAROLINA FEDERAL CREDIT UNION 2022 ANNUAL MEMBERSHIP MEETING

South Carolina Federal Credit Union held its 86th Annual Membership Meeting on April 25, 2022, via Zoom. Mr. Ralph Cathey, Board Chairman, called the meeting to order at 2:00 p.m., and several administrative protocols were reviewed by Mr. Woods.

Mr. Cathey asked if a quorum of the membership was present. Mr. Bolchoz confirmed a quorum, and Mr. Cathey declared the 2022 Annual Membership Meeting officially in session. Mr. Cathey 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. Cathey requested a motion to approve the minutes of the annual membership meeting held April 26, 2021. Ms. Whited moved to approve the minutes, and Mr. Daning seconded. The motion carried.

Mr. Cathey then invited Ms. Whited to provide the Treasurer's Report and share the 2021 year-end figures with the membership:

- **Dividends Paid to Members:** South Carolina Federal paid \$3.3 million in dividends to members in 2021, compared to \$4.3 million in 2020. This was a 24% decrease, which was a result of lower rates during the year.
- **Deposit and Loan Growth:** Deposits increased by 13.6%, while loans decreased by 1.1%.
- **Asset Growth:** Assets are all tangible property or rights such as loans, investments, cash, and receivables owned by the credit union. Assets increased by 11%, or \$243 million, and ended 2021 at \$2.43 billion.
- **Delinquency:** Delinquency represents the percentage of borrowers who are late paying back their loans. Our delinquency increased from .12% at year-end 2020 to .23% in 2021.

ANNUAL MEETING MINUTES (continued)

- **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 10.59% at year-end 2020 to 10.33% at year-end 2021. 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. Cathey thanked Ms. Whited for the Treasurer's Report and turned the floor over to Mr. Alexander for the **Supervisory Committee Report**, found on page three of the 2021 Annual Report. The Supervisory Committee engaged the services of Doeren Mayhew CPAs and Advisors to perform the 2021 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 2021 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. Mr. Alexander 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, and the floor was returned to the board chairman.

Mr. Cathey thanked Mr. Alexander for his report and asked if there was any unfinished business, but there was none. Mr. Cathey 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, and 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 2021, we donated over \$1.6 million to help people in need throughout the communities we serve, to include the following charities in 2021:

- South Carolina Chapter of the Alzheimer's Association
- Lowcountry, Midlands, Spartanburg, and Florence Chapters of the American Red Cross
- The Boys & Girls Clubs of the Pee Dee Area
- Lowcountry Food Bank
- Lowcountry Orphan Relief
- MUSC Children's Hospital
- Prisma Health Children's Hospital of the Midlands and Upstate
- McLeod Children's Hospital
- Trident United Way, United Way of Florence County, United Way of the Midlands, and United Way of the Piedmont

Employees pledged \$91,436 to external charities and \$26,335 to the credit union's Employee Relief Fund. The credit union pledged \$50,000 as its corporate match to external charities. Employees also donated an additional \$25,535 through change packages. Member contributions totaled \$12,866, for a grand total of \$206,172. The floor was returned to the board chairman.

Mr. Cathey asked if there was any additional new business. Hearing none, he turned the floor over to Mr. Bolchoz, Nominating Committee member, to give the **Nominating Committee Report** and election results on behalf of Gen. Mace. At the end of 2021, two positions on the Board were open for renewal. An announcement was placed in our members' September 2021 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 J. Ralph Cathey and Richard I. Buckner to serve on the Board of Directors each for a three-year term to expire in April 2025. In accordance with Article 5, Section 1 of the credit union bylaws, J. Ralph Cathey and Richard I. Buckner 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 for the Chairman's Report.

ANNUAL MEETING MINUTES (continued)

Mr. Cathey stated the **Chairman's Report** could be found on page one of the 2021 Annual Report, which meeting attendees received by email. The 2021 Annual Report may also be found on the credit union's website, scfederal.org. Mr. Cathey extended his appreciation to the membership and emphasized the many ways in which the volunteers of South Carolina Federal are invested in the success of this organization.

South Carolina Federal achieved many accolades and won a myriad of awards from local media, to include:

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

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

- Best Place to Work in South Carolina from the South Carolina Chamber of Commerce (9th time, placed 7th in the state, large employer category)
- Best Credit Union to Work For in the United States by the *Credit Union Journal* (6th time, placed 4th overall and 2nd among credit unions with assets over \$1 billion)
- Glassdoor's Best Places to Work list (4th time, ranked 10th in the small and medium business category)
- Scott Woods was recognized as a Top CEO by Glassdoor (placing 5th in the small and medium business category)
- We earned a Platinum Award in the Charleston Healthy Business Challenge

Our Net Promoter Score, which is a measurement of member loyalty, remained higher than the industry average. Additionally, all 25 of our financial centers earned a rating of four stars or higher on Google, which is a significant achievement. In closing, Mr. Cathey thanked the volunteer leadership for another year of sound governance, and he extended gratitude to the members of the credit union for choosing South Carolina Federal as their financial institution. The floor was returned to Mr. Woods to present the President's Report.

Mr. Woods stated the **President's Report** could be found on page two of the 2021 Annual Report. He thanked the members who joined South Carolina Federal's 2022 annual meeting remotely.

Mr. Woods acknowledged that 2021 marked South Carolina Federal's 85th year of serving members and paid homage to the 14 Charleston Navy Yard employees who chartered this credit union in 1936. In 2021, South Carolina Federal continued to meet and exceed our financial and service goals. In spite of navigating the impacts of the pandemic, we expanded our footprint and improved the member experience through technology-related enhancements such as Zelle®, My Credit Score, Digital Wallet, member e-sign capability, and more.

Looking forward to 2022, the credit union and our members may feel the impacts of the global economy and a rising interest rate environment for some time. However, South Carolina Federal employees remain committed to ensuring members are able to keep their hard-earned money invested in what matters most to them. Our financial center employees are passionate about meeting our members' financial needs and helping them build a bright financial future, while our Business Services team is available to assist business members with the products and services needed to help their businesses thrive. South Carolina Financial Solutions, LLC, our credit union service organization, remains ready to help members with their retirement goals, insurance, and investment needs.

ANNUAL MEETING MINUTES (continued)

In 2022 South Carolina Federal will continue moving our mission forward by: (1) maintaining the financial safety and soundness of the credit union; (2) continuing to provide members the highest level of service and offering financial solutions that best fit their needs; (3) identifying ways to simplify members' banking experiences through technology, with enhancements in 2022 to online banking, mobile banking, and our website; and, (4) looking to expand our footprint across the state to provide members convenient access to their credit union.

Mr. Woods thanked the volunteer leaders and dedicated employees of South Carolina Federal for working diligently every day with our members' best interest in mind. He emphasized that we have remained a "Best Place to Work" by maintaining an inclusive work environment where employees feel valued. In closing, Mr. Woods thanked our member-owners for trusting South Carolina Federal with their financial wellbeing.

As no questions were submitted from the membership in advance, members were encouraged to direct questions, if any, to the email address or phone number provided in the email from the Contact Center received in advance of this meeting. Mr. Woods returned the floor to the board chairman for adjournment of the meeting.

There being no further business to discuss, Mr. Cathey thanked the members again for their membership and requested a motion to adjourn the meeting. Mr. Bolchoz moved to adjourn, and Ms. Whited seconded. Mr. Cathey declared the meeting adjourned at 2:18 p.m.

Respectfully submitted,



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



J. RALPH CATHEY
Chairman, Board of Directors

LEADERSHIP

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Kevin Eichelberger
COL Linda J. Riedel



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