

# 80<sup>th</sup> *Annual Report* *For Year Ending December 31, 2020*

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# *Agenda 80th Annual Meeting*

## *June 15, 2021*

- A. Call to Order ..... Dana West
- B. Reading and Approval (or Correction) of the  
Minutes from the Annual Meeting 6/16/20 ..... Dana West
- C. Chairman's/President's Report ..... Dana West & John Carlson
- D. Treasurer's Report..... Tiffany Knuppe
- E. Loan Officer's Report..... Abby Cook
- F. Supervisory Committee ..... Paul Fauss
- G. Old Business..... Dana West
- H. New Business Other Than Elections ..... Dana West
- I. Awards..... John Carlson
- J. Nominating Committee & Elections..... Dorothy Peacock

### **FOR BOARD OF DIRECTORS**

- Dana West.....3 Year Term
- Jim Hastings.....3 Year Term

- K. Adjournment



# Minutes from the Annual Meeting

## 6/16/20

Dana West, Chairman of the Board of Directors, called the meeting to order at 4:42pm and welcomed everyone. Dana West introduced the members of the Executive Board and John Carlson to those in attendance.

Before the minutes from last year's meeting could be read, Gary Sortland made a motion to dispense with the reading of the minutes and to approve the minutes as printed in the program. Yvonne Wackel seconded. Motion carried.

John reported In 2019 Loan growth of 7.91% was partially funded by a 3.53% growth in share balances. Total loan and share balances have now reached \$124,150,220 and \$124,386,117 respectively. As a result, total assets in your credit union as of year-end now stand at \$142,733,953. Highmark's loan growth was largely the result of its continued emphasis to serve small business in the communities we serve. Member Business Loans (MBL's) as of year end are now 27% of Highmark's total loan portfolio. Real Estate and Consumer Loan growth continue to be a significant objective for your credit union as well and allows Highmark the diversification for safety and soundness while serving all members in the communities we serve.

Highmark continues to operate in five physical branch locations, Rapid City, Custer, Spearfish, Belle Fourche and Gillette. In addition, we have formally added a Digital Branch to serve the entire membership digitally. Included is our new "Banno" online app, updated website and a new chat feature in the Call Center.

In 2019 we added the "Ruby" Cash Back Credit Card and added several components to our Digital Branch platform to make all communications easier and more convenient. Member convenience when considering new member product/service offerings will always be a top priority.

Tiffany Knuppe covered the Treasurer's Report. Motion to accept the re-ports as presented made by Mindy Howard. Motion seconded by Cassie Pannone. Motion passed.

Ted gave the Loan Officer Report. Ted noted Highmark Credit Union grew in 2019, Highmark Federal Credit Union enjoyed a 7.9% net increase in the loans outstanding of its loan portfolio. The portfolio ended the year at \$124,150,220. The credit union's loan portfolio mix at year end was: Consumer loans at 44%, Commercial Loans at 27%, and Mortgage Loans made up the remainder of the portfolio at 29%. Past due loans at year end 2019, as a percentage of the balance of loans past due 60 days or greater when compared to the total loan portfolio, was .33% and net loans charged off during the year equated to .16% of loans outstanding. Motion to accept the report as presented by Gary Sortland. Motion Seconced by Mindy Howard. Motion passed.

Paul Fauss gave the Supervisory Committee Report. Motion made by Gary Sortland to accept the report as presented. Motion second-ed by Tiffany Knuppe. Motion passed

There was no Old Business to be noted. There was no New Business to be noted other than Elections.

The following employees were recognized with awards for their completed years of service: Andrea Fleming- 10 years, Patty Miller-10 years, Jodi Knuteson- 10 years, Cassie Pannone- 5 years, Tony Pannone- 5 years, Carrie Grable- 5 years, LaNell McDonald- 5 years.

Dorothy Peacock covered the nominating and election process. She stated that there were 3 vacancies to fill for the Board of Directors. Board terms are for 3 years. The three incumbents are Tiffany Knuppe, Ken Faus, Dane Dobesh. Incumbents were elected via acclamation. There were no additional members running for board positions.

John Carlson and Dana West thanked everyone for attending. Dana West asked for a motion to adjourn. Gary Sortland made a motion for the meeting to adjourn, and Yvonne Wackel seconded. Motion carried.

Dorothy Peacock, Board Secretary/Ken Boteler, Recorder



# Chair/President's Report

Highmark Credit Union continues to be a strong financial organization committed to serving its member/owners. Highmark's mission is "to provide high quality financial services to help our members achieve their financial goals". 2020 was a challenging year for employees and members alike as Highmark adjusted operations to comply with the Covid-19 pandemic. Remote employees and member online banking became the normal operating procedure during most of 2020. Fortunately, Highmark had the available technology to accommodate a significant remote workforce and an online platform to accommodate most member needs without the requirement of a branch lobby. Thank you, our loyal Highmark members, for your patience and understanding during this unusual time. We are delighted to report that in spite of the unusual operations of 2020 Highmark had a very positive year and continues to be a strong financial organization committed to serving its member/owners.

2020 Loan growth continued its positive trend adding nearly \$16 Million or 12.86% to its loan balances with Consumer loans leading the way. Share balances increased even more with a growth in share balance of 32.5 Million or 26.2%. As a result, total assets in your credit union as of year-end have grown to \$176,552,264. In addition, net membership growth grew 3.6% to 12,048. Highmark continues to operate in five physical branch locations, Rapid City, Custer, Spearfish, Belle Fourche and Gillette. We're excited to report that our new Gillette branch construction is currently underway and should be completed by September 2021.

Highmark continuously researches ways to better serve member needs in an effort to remain relevant to our existing and future members.

Highmark is always looking to offer new competitive products in the most convenient way possible. In 2019 we added the "Ruby" Cash Back Credit Card and added several components to our Digital Branch platform to make all communications easier and more convenient. In 2020 Highmark enhanced its Banno mobile banking app to be even more functional and added a budgeting component, "My Budget Tracker." Highmark's website also received a face lift to make it more user friendly and functional. Member convenience when considering new member product/service offerings will always be a top priority.

Highmark is a member owned financial cooperative and our only mission is to serve our members financial goals. As such we always welcome your comments on how we're doing for you and how we can improve. Don't forget about Highmark's shared branching program and the 30,000 free ATM locations nationwide and the 5,000 physical locations. Check out exact locations by visiting the website.

On behalf of our dedicated Staff and Volunteers, we thank you for your continued confidence in Highmark and look forward to serving your financial needs well into the future.

Respectfully submitted,

**Dana West, Chair | John A. Carlson, President**





# Financial Statements

## Statement Of Income & Expenses

	<u>December-19</u>	<u>December-20</u>
<b>INTEREST INCOME</b>		
Interest on Loans	\$ 6,053,703	\$ 6,680,692
Interest on Investments	260,904	164,496
	<b>6,314,607</b>	<b>6,845,188</b>
<b>INTEREST EXPENSE</b>		
Dividend Expense	849,389	902,411
Notes Payable Expense	103,014	73,699
	<b>952,403</b>	<b>976,110</b>
<b>NET INTEREST INCOME</b>		
Provision for Loan Loss	299,468	226,986
<b>Net Interest Income after Provision for Loan Loss</b>	<b>5,062,736</b>	<b>5,642,092</b>
<b>NON-INTEREST INCOME</b>		
Fee Income	1,117,260	1,231,520
Other Non Operating Income	1,448,179	1,845,923
<b>Total Non-Interest Income</b>	<b>2,565,439</b>	<b>3,077,443</b>
<b>NON INTEREST EXPENSE</b>		
Salary & Benefits	3,892,623	4,604,351
Association Dues	39,290	48,204
Travel & Conferences	76,521	60,883
Office Occupancy	548,673	577,341
Office Operations	591,801	612,432
Educational & Promotional	323,934	247,819
Loan Servicing	293,236	408,718
Professional Services	1,074,328	1,074,099
NCUA Operating Fee	42,681	38,453
Other Operating Expenses	42,073	15,143
Gain/Loss on Disposition of Assets	( 4,094)	18,183
<b>Total Operating Expense</b>	<b>6,921,066</b>	<b>7,705,626</b>
<b>NET INCOME</b>	<b>\$ 707,109</b>	<b>\$ 1,013,909</b>



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# Financial Statements

## Financial Statement of Condition

	December-19	December-20
<b>ASSETS</b>		
Loans	\$ 124,150,220	\$ 140,109,395
Allowance for Loan Loss	(531,859)	(428,042)
<b>NET LOANS</b>	<b>123,618,361</b>	<b>139,681,353</b>
Cash	1,305,731	1,413,065
Deposits in Other Financial Institutions	2,508,203	15,695,755
Investments	8,210,524	11,813,435
Fixed Assets	4,926,156	4,880,145
Miscellaneous Receivables	897,963	1,206,253
Prepaid Expenses	632,144	793,560
Accrued Interest	512,906	490,300
Other Assets	121,965	578,398
<b>TOTAL ASSETS</b>	<b>142,733,953</b>	<b>176,552,264</b>
<b>LIABILITIES &amp; EQUITY</b>		
Accounts Payable/Other Liabilities	1,763,055	1,583,388
Notes Payable	4,200,000	4,800,000
Shares	35,389,699	48,794,031
Share Drafts	30,245,298	45,271,595
Money Market	15,268,149	18,798,337
Share Certificates	31,785,251	31,396,347
Non-Member Certificates	2,726,000	2,477,000
IRA's	5,382,669	5,836,009
Other Shares	3,589,051	4,296,868
Regular Reserve	1,372,338	1,372,338
Undivided Earnings	8,982,746	9,996,654
Equity Acquired in Merger	1,729,697	1,729,697
Uninsured Secondary Capital	300,000	200,000
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>142,733,953</b>	<b>176,552,264</b>
<b>STATISTICAL INFORMATION</b>		
Loan Growth	7.49%	12.86%
Share Growth	3.53%	23.69%
Net Worth Growth	5.15%	7.38%
Members	11,656	12,048



# *Loan Officer's Report*

During 2020, Highmark Federal Credit Union enjoyed a 12.06% net increase in loans outstanding of its loan portfolio. The portfolio ended the year at \$138,123,918. The credit union's loan portfolio mix at year end was: Consumer loans at 52%, Commercial Loans at 24%, and Mortgage Loans made up the remainder of the portfolio at 24%.

Past dues loans at year end 2020, as a percentage of the balance of loan past due 60 days or greater when compared to total loan portfolio, was 12% and net loan charged off during the year equated to .28% of loans outstanding. This shows an improvement in credit quality when compared to the past due ratio for year end 2019 of .33%.

Highmark lending team would like to take this opportunity to thank the membership for allowing us to be of service to you.

Please think of Highmark Credit Union when you have a financial need. Also, please refer us to your friends and acquaintances if you happen to hear they may have a financial need.

Respectfully Submitted:

**Abby Cook, Chief Lending Officer**



# Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors, and our primary functions include:

*Assuring that the annual audit is completed in a timely manner, and addresses all areas of the credit unions operations; Assuring that the annual verification of member accounts is completed in a timely manner, and any issues identified investigated in a timely manner;*

*Assuring that the members' assets are safely guarded and properly accounted for by completing on-going reviews and audits of the credit union's operations;*

*Assuring that the policies established by the Board of Directors are carried out faithfully;*

*Assuring that any member concerns or complaints are properly investigated, and resolved; and*

*Assuring that all officials are acting in the best interest of the credit union and membership at all times.*

The Supervisory Committee hired the firm of Ketel Thorstenson to do a complete audit as of September 30, 2020. There were no major items or issues identified. In addition the following audits were completed in 2020:

Supervisory Audit .....	Ketel Thorstenson
Fair Lending Review .....	NCUA
Consumer Loans.....	Brode Consulting
BSA-CUAD .....	Amy Kleinschmit
ACH Audit .....	UMACHA

Our Internal Auditor, Nick Schwan, assists us in completing many of our duties on a regular basis, and the committee meets with him monthly to review selected areas of the credit union's operations.

During 2020 the committee consisted of the Chairperson Paul Fauss and Members, Dorothy Peacock, Bruce Crisman, Gary Gualano, and Larry Larson, The Federal Credit Union Act allows the Supervisory Committee to have between 3 and 5 members.

Credit Union members are always urged to contact any of the Supervisory Committee members if there are differences in their savings, loan and/or share draft accounts as compared with the records of the Credit Union. Such contacts or any other concerns or suggestions will always be held in confidence and investigated by the committee.

This report is respectfully submitted on behalf of the Supervisory Committee of Highmark Federal Credit Union for the 80th Annual Meeting of the Membership on June 15, 2021.

Respectfully Submitted:

**Paul Fauss, Chairperson**







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**BELLE FOURCHE  
BRANCH**

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