

81st Annual Report

For Year Ending December 31, 2021



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Agenda 81st Annual Meeting

June 21, 2022

- A. Call to Order Dana West
- B. Reading and Approval (or Correction) of the
Minutes from the Annual Meeting 6/16/21 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

- Dorothy Peacock.....3 Year Term
- Jim Hastings.....3 Year Term
- Jan Kappelman.....3 Year Term

- K. Adjournment



Minutes from the Annual Meeting

6/15/21

Lynn Greff, Vice-Chairman of the Board of Directors, called the meeting to order at 5:00pm and welcomed everyone. Lynn Greff 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. Kelly Miller seconded. Motion carried.

John reported in 2020 Loan growth of 12.86% with consumer loans leading the way. Share balances increased to 26.2%. Total assets in your credit union as of year-end now stand at \$176,552,264. Highmark's loan growth was largely the result of its continued emphasis to serve small businesses in the communities we serve. Member Business Loans (MBLs) as of year end are now 24% 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. John covered 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.

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.

Tiffany Knuppe covered the Treasurer's Report. Motion to accept the reports as presented made by Gary Sortland. Motion seconded by Dane Dobesh. Motion passed.

Abby gave the Loan Officer Report. Abby noted Highmark Credit Union grew in 2020, Highmark Federal Credit Union enjoyed a 12.6% net increase in the 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 due loans at year end 2020, as a percentage of the balance of loans past due 60 days or greater when compared to the total loan portfolio, was .12% and net loans charged off during the year equated to .28% of loans outstanding. Motion to accept the report as presented by Ken Fauss. Motion Seconded by Mindy Howard. Motion passed.

Paul Fauss covered the Supervisory Committee Report. Motion made by Ken Fauss to accept the report as presented. Motion seconded by Dane Dobesh. Motion carried.

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: Carlene Sack-10 years, Sammie Bland- 10 years, Bryan Walker-5 years. John recognized directors who were retiring. Kim Jackson- 12 years, Gary Helmer- 12 years and Lynn Greff-32 years.

Dorothy Peacock covered the nominating and election process. She stated that there were 2 vacancies to fill for the Board of Directors. Board terms are for 3 years, and fulfilling the remaining one year of a 3 year term. Incumbents are Dana West (3 years), Jim Hastings (1 year). Incumbents were elected via acclamation. There were no additional members running for board positions.

John Carlson and Lynn Greff thanked everyone for attending. Lynn Greff asked for a motion to adjourn. Gary Sortland made a motion for the meeting to adjourn, and Dane Dobesh seconded. Motion carried.

Dorothy Peacock, Board Secretary/Ken Boteler, Recorder



Chair/President's Report

Highmark entered its 81st year in 2021 and realized another very successful year while serving its member-owners. A highlight for 2021 included a newly constructed branch in Gillette, Wyoming that's conveniently located off of South Douglas Highway. With physical branches in five communities, as well as a growing digital branch, Highmark is positioned for continued growth for years to come.

2021 Loan growth continued its positive trend, adding over \$20 Million or 14.5% to its loan balances with Consumer loans leading the way. Share balances increased slightly more with a growth in share balances of \$23.2 Million or 14.8%. This resulted in total assets in your credit union topping \$200 Million for the **first time** at \$203,310,812. In addition, membership growth continued in 2021 growing a net 3.64% to 12,487.

As the banking needs and wants of our existing members and prospective members continue to evolve, Highmark is committed to offer the most convenient, competitive, and safe banking products available. In 2021 we introduced "My Credit Score" to our mobile banking app to educate members on the various components that impact their credit score while also providing members with their most current rating. We also introduced "My Budget Tracker" to assist members in developing personal budgets. Highmark is always looking to offer new competitive products in the most convenient way possible. Our mobile banking app is competitive with the best in the marketplace. Member convenience when considering new member product/service offerings will always be a top priority.

The more products and services our members use, the better your credit union performs. For this reason, Highmark is planning to introduce a relationship pricing program in 2022 that will reward members who use multiple Highmark products and services. Be on the lookout for this exciting new program.

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-20</u>	<u>December-21</u>
INTEREST INCOME		
Interest on Loans	\$ 6,680,692	\$ 7,146,190
Interest on Investments	164,496	138,760
	6,845,188	7,284,950
INTEREST EXPENSE		
Dividend Expense	902,411	581,849
Notes Payable Expense	73,699	163,502
	976,110	745,351
NET INTEREST INCOME		
Provision for Loan Loss	226,968	327,626
Net Interest Income after Provision for Loan Loss	5,642,092	6,211,973
NON-INTEREST INCOME		
Fee Income	1,231,520	1,353,376
Other Non Operating Income	1,845,923	2,737,658
Total Non-Interest Income	3,077,443	4,091,034
NON INTEREST EXPENSE		
Salary & Benefits	4,604,351	4,793,606
Association Dues	48,204	53,298
Travel & Conferences	60,883	43,130
Office Occupancy	577,341	556,673
Office Operations	612,432	673,871
Educational & Promotional	247,819	294,976
Loan Servicing	408,718	563,150
Professional Services	1,074,099	1,284,263
NCUA Operating Fee	38,453	35,951
Other Operating Expenses	15,143	34,490
Gain/Loss on Disposition of Assets	18,183	(11,085)
Total Operating Expense	7,705,626	8,322,323
NET INCOME	\$ 1,013,909	\$ 1,980,684



Financial Statements

Financial Statement of Condition

	December-20	December-21
ASSETS		
Loans	\$ 140,109,395	\$ 160,389,179
Allowance for Loan Loss	(428,042)	(559,542)
NET LOANS	139,681,353	159,829,727
Cash	1,413,065	1,391,239
Deposits in Other Financial Institutions	15,695,755	10,581,190
Investments	11,813,435	23,219,296
Fixed Assets	4,880,145	4,808,034
Miscellaneous Receivables	1,206,253	1,347,535
Prepaid Expenses	793,560	697,273
Accrued Interest	490,300	556,480
Other Assets	578,398	880,038
TOTAL ASSETS	176,552,264	203,310,812
LIABILITIES & EQUITY		
Accounts Payable/Other Liabilities	1,583,388	2,944,114
Notes Payable	4,800,000	2,150,000
Shares	48,794,031	61,534,811
Share Drafts	45,271,595	62,926,587
Money Market	18,798,337	21,802,003
Share Certificates	31,396,347	22,647,761
Non-Member Certificates	2,477,000	-----
IRA's	5,836,009	5,709,392
Other Shares	4,296,868	5,422,776
Regular Reserve	1,372,338	1,372,338
Undivided Earnings	9,996,654	11,977,338
Equity Acquired in Merger	1,729,697	1,729,697
Uninsured Secondary Capital	200,000	3,100,000
Unrealized Loss on AFS	-----	(33,005)
TOTAL LIABILITIES & EQUITY	176,552,264	203,310,812
STATISTICAL INFORMATION		
Loan Growth	12.86%	14.79%
Share Growth	23.69%	14.42%
Net Worth Growth	7.38%	36.45%
Members	12,048	12,487



Loan Officer's Report

During 2021, Highmark Federal Credit Union enjoyed a 15.15% net increase in loans outstanding of its loan portfolio. The portfolio ended the year at \$159,037,939. The credit union's loan portfolio mix at year end was: Consumer loans at 55%, Commercial Loans at 22%, and Mortgage Loans made up the remainder of the portfolio at 23%.

Past due loans at the end of 2021, (as a percentage of the balance of loans past due 60 days or greater when compared to total loan portfolio) was .12%, and net loan charged off during the year equated to .13% of loans outstanding. This shows that Highmark continues to have stable credit quality when compared to the past due ratio at the end of 2020, which was .12%.

The 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 that 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 ongoing 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, 2021. There were no major items or issues identified. In addition the following audits were completed in 2020:

Supervisory Audit

NCUA Exam

Federal Home Loan Bank Audit

Business Loan Audit

ACH Audit

IT Penetration and Vulnerability Test

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 2021 the committee consisted of the Chairperson Paul Fauss and Members, Dorothy Peacock, Bruce Crisman, Gary Langia. 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 81st Annual Meeting of the Membership on June 21, 2022.

Respectfully Submitted:

Paul Fauss, Chairperson





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