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2019

# Annual Report



**CORNERSTONE**

CREDIT UNION

Financial Solutions. Rock Solid Advice.

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# Report of the Board Chair and CEO

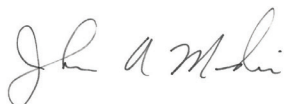
In November 2019, we celebrated 80 years in business. We thank our member owners, as well as our dedicated staff and board, for making 2019 another great year. Once again, we exceeded our goal for return on assets with a .44% ROA, and our total assets of \$120M increased by nearly 4%, giving us a strong net worth and healthy capital position.

Along with achieving our 80 year milestone, we enjoyed several accomplishments during the year. We continued to increase both business and real estate loans as the low rate opportunity allowed us to work with new borrowers. Also, a convenient, new drive-up ATM was installed in our Milledgeville location.

Cornerstone continues a tradition of strong community support, as demonstrated by events such as the annual WREX Freeport Food Drive, for which we again had a record year. Our Founders Scholarship program awarded a total of \$6,000 to six outstanding high school students. In South Beloit, we sponsored the Northern Illinois Food Truck, and we held our annual Community Shred Day in Freeport. The holiday season always highlights the generosity of our members and employees, as all of our branches gathered food and toys for local families served by the Salvation Army and Marine Corps Toys for Tots. Both corporately and through staff fundraisers, we give back both time and contributions for local people and organizations that need assistance, following the *people helping people* philosophy.

Be sure to review the enclosed 80 Year Cornerstone Timeline which shows many of the achievements and milestones that have contributed to our success and how far we've come.

Thanks to our employees and board volunteers for your continued dedication, as we celebrate our achievements. Always keeping our strategic goals aimed at a successful future, we are excited to see what's in store for Cornerstone in the next 80 years, and beyond.



**John A. Modica**, Chair



**Gail L. Clore**, CEO

## Supervisory Committee Report

The Supervisory Committee is responsible for monitoring the financial safety and soundness of CCU and compliance with various financial and regulatory requirements.

In fulfilling these responsibilities, the Committee appointed the independent audit firm of Selden Fox, Ltd, which directly reports to the Committee, and held monthly meetings to, among other things, review internal audit services, controls and risk management processes. They also reviewed examinations by state and federal regulatory agencies.

The on-going activities of the Committee indicate that your credit union is following sound accounting practices in conducting its business, and that the members' assets are being safeguarded, in accordance with applicable federal and state regulations consistent with Cornerstone's tradition.

**Jim Phillips** Chair  
Randy Church, Dr. Kenneth Eichholz, Jr.,  
Connie Kraft & Alan Wenzel

## Credit Committee Report

The Credit Committee has the overall responsibility for writing, reviewing and evaluating the Credit Union's overall approach to lending. The Committee sets specific lending goals and reviews performance and other significant statistical trends. One example is that we elected not to follow industry trends of extending loan terms beyond six years (72 months), as this can lead to even more delinquencies. Overall delinquency was well below 1% at the end of the 4th quarter 2019, proving the steps we took throughout the last two years are starting to show positive results. Continuing to monitor credit quality while working with and educating our lending staff are key steps moving forward.

The centralized lending software introduced in 2018 has allowed us to ensure consistent review of all applications, focused on member loan and deposit needs within established risk limits. Implementation of the full consumer deposit and lending platforms was completed in 2019, though we continually make adjustments to ensure we are meeting members' needs. The year-end loan delinquency ratio was .57%, compared to the peer average of .71%. The net charge-off ratio ended the year at 1.03%, which is well above the industry average of .48%. Total loans outstanding ended with a balance of \$58 million. There were 4,578 applications submitted to the Committee which is a 16% decrease. We disbursed \$21.3 million in loan proceeds, which is a significant decline from last year.

**Dr. Daniel Schoaf**, Chair  
Tony Honchar & Wayne Radzi

## Marketing/Membership Committee Report

Making our field of membership community aware of the financial solutions Cornerstone offers is the ongoing mission of our marketing efforts. We continue to see increased engagement in our social media and digital online ads, which we combine with advertising in traditional media such as television, radio and billboards. We post a mix of educational, promotional and local event (fun!) content on CCU's website and Facebook page, which had 1,215 likes at the end of 2019. We increased the use of short videos to inform, engage and entertain visitors.

Giving back is a significant element of our public relations efforts. Our employees participated in the first ever *CU Kind Day*, sponsored by the Illinois Credit Union League, by creating fleece blankets to donate to the Madonna Renewal Center in Freeport. Our 80 year anniversary was highlighted with a *Pay It Forward* event at Union Dairy in Freeport, where we gave out 80 coupons to customers for a free scoop of ice cream, while Live on WIFR-TV23's Andy & Aaron morning show, talking about CCU and how we and Union Dairy are two "icons" in the community.

The WREX Freeport food drive was another huge success. Along with Freeport, our Sterling and South Beloit branch staff participated in several community events including Taste of Fiesta, Rockton River Market, and Trunk or Treat. We celebrated our one year anniversary in September at the new facility in South Beloit.

CCU members were sent an email survey to measure their service experience. We had a higher than average response rate, with both positive and negative feedback, which is valuable for our management team when evaluating current service and product offerings.

The number of online applications received through our new platform is significant, and we continue to work with lending to be sure our service experience is prompt and positive.

Total members on record as of December 31, 2019 was 12,824 with Deposits of \$107 million.

**Valerie Rothermel-Nelson**, Officer/Chair  
Charles Beyer

# Treasurer's Report



CCU ended 2019 with net income of \$527,303 and a continued strong net worth ratio, 10.78%. We continue a goal of achieving efficiency, though our operating expenses had an increase of 4.26% from 2018. We outlined our next Three Year Plan, addressing loan approval practices, employee engagement and satisfaction, and keeping expenses in check.

**Carla Homan**, Treasurer

## Consolidated Statement of Financial Condition

*as of December 31, 2019*

<b>Assets</b>	<b>2019</b>
Total Loans to Members	\$ 57,966,142
Less Allowance for Loan Losses	(857,025)
Cash	1,993,770
Investments	53,642,461
Other Assets	7,685,256
<b>Total Assets</b>	<b>\$ 120,430,604</b>

<b>Liabilities and Equity</b>	
Member Shares	\$ 107,039,196
Accounts Payable and Other Liabilities	956,553
Members Equity	12,434,856
<b>Total Liabilities and Equity</b>	<b>\$ 120,430,604</b>

## Statement of Income

*as of December 31, 2019*

<b>Income</b>	<b>2019</b>
Loan Income	\$ 3,382,041
Investment Income	1,070,194
Fee and Miscellaneous Income	1,793,785
<b>Total Income</b>	<b>\$ 6,246,020</b>
<b>Expenses</b>	
Operating Expense	\$ 4,932,385
Provision for Loan Loss	280,477
Member Shares Dividends	505,020
<b>Total Expense</b>	<b>\$ 5,717,882</b>
<b>Net Income before Non-Operating Gains/(Losses)</b>	<b>\$ 528,138</b>
Non-Operating Gains/(Losses)	\$ (835)
<b>Net Income (Loss)</b>	<b>\$ 527,303</b>

Please contact Cornerstone Credit Union to review consolidated financial statements.