

INTOUCH CREDIT UNION
ANNUAL REPORT



REPORT OF THE CHAIRMAN



As 2020 started, InTouch Credit Union (ITCU) was in final preparations to convert to a new core system, which successfully occurred in early March. Two weeks later, as the world and the US began to react to the global pandemic, ITCU faced unprecedented challenges. In response, ITCU activated its Business Continuity Plan, which was created several years ago and is updated on an ongoing basis. As part of the Business Continuity Plan, ITCU conducts disaster recovery tests on a recurring basis to ensure readiness to support business operations, serve members, protect member data and ensure safety of staff. Due to these proactive measures, ITCU quickly responded to the global pandemic. All branches implemented “by appointment” operations for members and a new online appointment reservation system was introduced to provide members the convenience of self-scheduling. Technology solutions to support remote work environments were promptly identified and installed. As ITCU adapted to the pandemic-induced remote work requirements, the call center experienced its highest call volume in department history.

Despite the pandemic’s impact on many aspects of business operations, ITCU remained focused on its commitment to member service, and its strategic promise to provide more convenient and efficient digital service options. New features and amenities were added to Online and Mobile Banking including Zelle®, an application that enables members to send and receive funds with people they know and trust. Lastly, the call center launched an intuitive chat platform to provide members more options for easy and efficient service, and the ITCU.org website was enhanced to increase its ease of use as a valuable source for member information and access to online, digital, and in-person branch services.

As part of ITCU’s ongoing focus to ensure market competitiveness, existing checking account products were updated and a new checking account product, Value Checking, with no monthly fee, was launched. An auto leasing program commenced in October in the Michigan market and will roll out in the Texas and Nevada markets in 2021.

The Board of Directors, leadership team, and staff recognize 2020 was a very challenging year and thank our membership for your support and encouragement. We recognize while we may not have been successful meeting the needs of all members, we will always strive to improve the service experience. We will continue to focus on your financial needs and are committed to providing knowledgeable service combined with efficient, secure, and convenient service channels. Thank you for your continued business and loyalty.

Sincerely,

A handwritten signature in black ink that reads "Nancy Pressel". The script is fluid and cursive.

Nancy Pressel
Chairman, Board of Directors



In 2020, the Audit Committee’s ongoing focus on the operational safety and soundness of the Credit Union was critical as ITCU navigated through the impact of the global pandemic. With the increased requirement for remote work by staff in order to maintain business operations and provide service to members, the emphasis on cybersecurity protocols increased.

A new vendor was identified, KnowBe4, to enable Risk Management and Cybersecurity staff to conduct timely and relevant cybersecurity and information security testing and training. The annual social engineering, penetration testing, and technology protocol audits confirmed the Credit Union adheres to appropriate technology standards designed to protect member data.

In addition to ensuring the Credit Union follows stringent industry cybersecurity guidelines, the Audit Committee continued its focus on the Credit Union’s adherence to regulatory requirements, operational accuracy, and industry standards. The Audit Committee utilizes multiple internal and external sources to validate compliance with these requirements. The internal auditors, Cornerstone Resources (fka Credit Union Resources, Inc.), and the Risk Management department implemented procedures to confirm critical reviews could be conducted electronically as part of ITCU’s protocols to ensure employee and member safety during the pandemic. The reviews conducted in 2020 confirmed the Credit Union functions in an operationally secure manner.

Nearman, Maynard & Vallez, a certified public accounting firm, conducted a comprehensive annual audit and discussed the results with the Audit Committee and senior staff. After the discussion, the Audit Committee noted no material internal control weaknesses related to the financial reporting process. In addition, the Audit Committee believes the Credit Union’s financial statements are reported accurately and fairly.

A complimentary copy of the audited financial statements may be obtained at any branch, by contacting Member Care at (800) 337-3328, option 5 or submitting an email request to reports@itcu.org.

Respectfully,

A handwritten signature in black ink, reading "Theresa M. Tschirky", with a stylized flourish at the end.

Theresa M. Tschirky
Chairman, Audit Committee

REPORT OF THE AUDIT COMMITTEE

REPORT OF THE PRESIDENT



As mentioned in the Chairman's Report, the pandemic necessitated the Credit Union implement its Business Continuity Plan; however, the Board, management team, and staff all insisted we help members as much as financially possible to overcome this tragic event by emphasizing ITCU's core value propositions and reiterating to the membership that "we work for you and your financial well-being."

ITCU is proud to be a financial institution that puts the needs of its collective membership before other strategic initiatives. Credit unions are unique financial cooperatives that provide traditional banking services to individual consumers and small businesses within their fields-of-membership. Credit unions are created, owned, and operated by their members. As such, we are exempted from paying federal income taxes on overall credit union profits as that "profit" revenue is returned back to the membership in the form of reduced fees, higher savings rates, lower loan rates, and the assurance of safe operations. Credit unions are required to pay property taxes, sales taxes, federal and state employer/employee taxes, and virtually all other business entity taxes required in state and local jurisdictions. In a nutshell, credit unions like ITCU are designed to only make enough extra profit to continue daily operations, meet regulatory guidelines, deposit insurance requirements and legal requirements, and to support strategic growth and project initiatives that will benefit the membership and the surrounding communities they serve.

In 2020, ITCU's investments in digital access and ITM delivery paid huge dividends as the pandemic was thrust upon us. In addition to remaining open throughout the very worst periods of the pandemic, the Credit Union proactively helped over 20,000 members with adjusted or arranged delayed payments on their loans; we helped 66 small businesses with over \$1.7 million in approved and funded Paycheck Protection Program (PPP) loans; and we lowered, eliminated, and waived enough fees to reduce the revenue earned to a percentage of assets level that was about half the credit union industry average and one-fourth of the banking industry average. We investigated and looked for every conceivable idea to help reduce the financial burden on members while still protecting the membership's investment in us.

More importantly, you communicated to us, through an independent membership survey conducted by an outside third-party, that you appreciated the service and value we delivered in 2020 and scored us higher than the previous, pre-pandemic year. When asked, "Which one word do you feel best describes why you value InTouch Credit Union?", the top two answers were "Price – competitive rates" and "Simple – easy to do business with." In today's digital environment, those results confirmed the emphasis and value proposition most of the membership desires from ITCU. We heard you (and continue to hear you) loud and clear, and because we want you to feel safe and connected, we will continue to offer easy and convenient ways to help you manage your money and achieve your financial dreams.

The Board of Directors, leadership, and staff value your loyalty, trust, and commitment to InTouch Credit Union. We never take your business for granted and are dedicated to helping you financially succeed.

Sincerely,

A handwritten signature in black ink that reads "Kent L. Lugrand". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kent L. Lugrand
President & Chief Executive Officer

STATEMENT OF **INCOME**

INTEREST INCOME

January through December	2020	2019
Interest on Loans to Members	\$30,453,016	\$31,090,979
Interest on Investments	<u>\$1,790,147</u>	<u>\$3,064,133</u>
Total Interest Income	\$32,243,163	\$34,155,112

INTEREST EXPENSE

Dividends on Members’ Shares	\$3,232,360	\$5,180,576
Interest on Borrowed Funds	<u>\$1,036,226</u>	<u>\$2,996,749</u>
Total Interest Expense	\$4,268,586	\$8,177,325
Net Interest Income	\$27,974,578	\$25,977,788
Provision for Loan Loss	<u>\$5,830,284</u>	<u>\$4,122,515</u>
Net Interest Income After Provision for Loan Loss	\$22,144,294	\$21,855,272

NON-INTEREST INCOME

Service Charges, Fees, and Other Operating Income	\$6,612,481	\$8,635,235
Gains (Losses) from Asset Market Value Changes	\$3,657,212	\$6,800,129
Net Gains (Losses) from Sales/Disposals of Assets	<u>\$450,069</u>	<u>\$0</u>
Total Non-Interest Income	\$10,719,762	\$15,435,364

NON-INTEREST EXPENSE

Compensation and Benefits	\$11,541,578	\$15,586,133
Operations	<u>\$16,319,003</u>	<u>\$15,873,178</u>
Total Non-Interest Expense	\$27,860,581	\$31,459,311
Net Income	\$5,003,475	\$5,831,326

STATEMENT OF **FINANCIAL CONDITION**

ASSETS

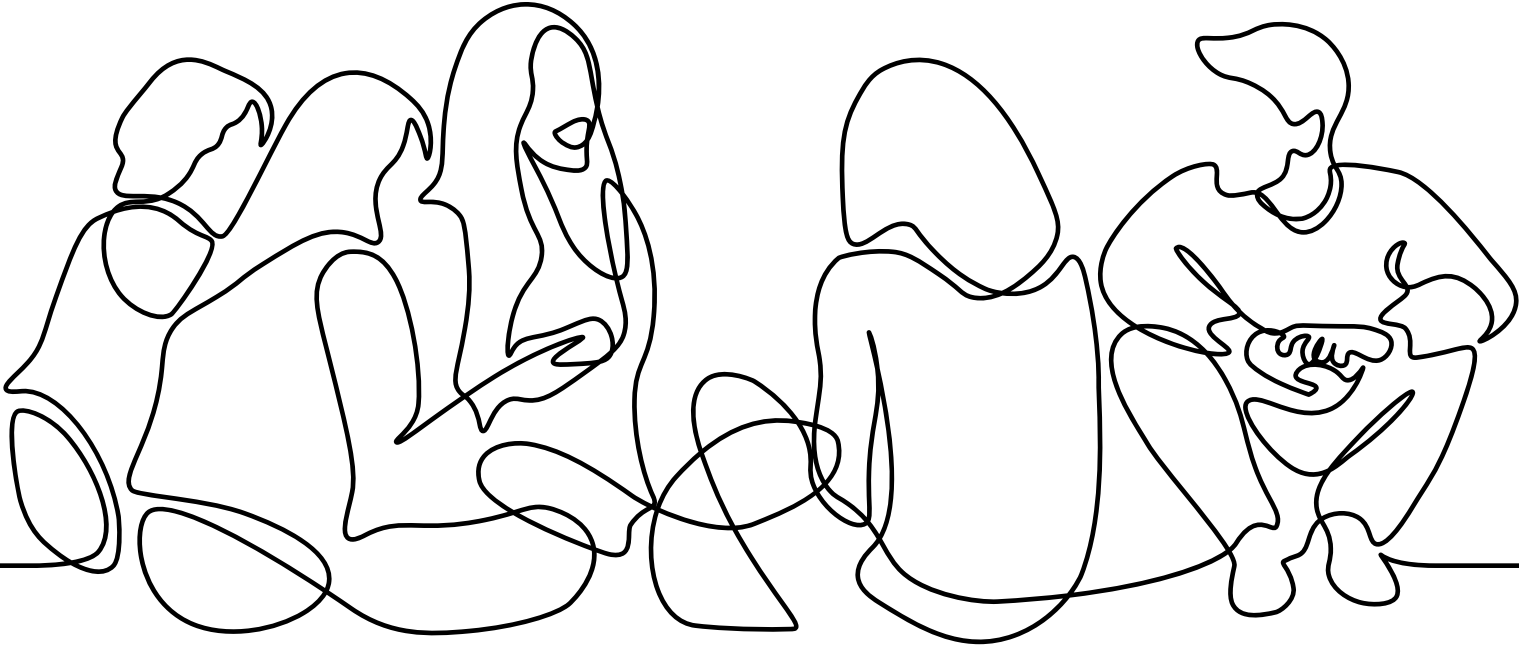
As of December 31	2020	2019
Cash and Cash Equivalents	\$150,536,465	\$23,132,709
Investments	\$66,627,692	\$67,906,404
Loans to Members, Net	\$672,330,037	\$693,638,547
Accrued Interest Receivable	\$1,961,006	\$2,083,275
Property and Equipment	\$14,659,994	\$10,766,399
National Credit Union Share Insurance Fund Deposit	\$6,978,190	\$6,751,544
Other Assets	<u>\$7,852,376</u>	<u>\$8,469,944</u>
Total Assets	\$920,945,760	\$812,748,822

LIABILITY AND MEMBERS’ EQUITY

Liabilities		
Member Shares	\$776,020,199	\$705,115,899
Accrued Expenses and Other Liabilities	<u>\$63,172,408</u>	<u>\$31,362,381</u>
Total Liabilities	\$839,192,607	\$736,478,280

MEMBERS’ EQUITY

Liabilities		
Unrealized Gain (Loss) on Investments	\$341,053	\$(138,083)
Reserves	<u>\$81,412,100</u>	<u>\$76,408,625</u>
Total Liability and Members’ Equity	\$920,945,760	\$812,748,822



PRODUCTS AND SERVICES

InTouch Credit Union is proud to work for the financial well-being of our members, and we do so through an encompassing range of products and services.

Products include:

- ✓ Auto Loans (new and used)
- ✓ Auto Leasing (where available)
- ✓ Motorcycle, Boat and RV Loans (new and used)
- ✓ Checking and Savings Accounts
 - Personal
 - Momentum One Checking
 - Momentum Plus Checking
 - Prime Checking
 - High-Yield Checking
 - Value Checking
 - Regular Savings
 - Save to Win® Savings Accounts (Not Available in All States)
 - Money Fund Accounts
 - Health Savings
 - IRAs
 - Holiday Club Savings
 - Business
 - Regular Checking
 - Nonprofit Checking
 - Regular Business Savings
 - Business Money Fund Savings
- ✓ Youth & Young Adult Checking and Savings Accounts
 - Chip's Kids Club (Ages 0-12)
 - Geared Up! (Ages 13-17)
 - On My Own (Ages 18-24)
- ✓ Certificates of Deposit (CDs)
 - 3-60 Month Terms
 - Business CDs
 - IRA CDs
 - High-Yield Checking CDs
- ✓ ITCU Mastercard® Platinum and Platinum Rewards Credit Cards
- ✓ Mortgages and Real Estate Services
- ✓ Home Equity Loans and Home Equity Lines of Credit (HELOCs)
- ✓ Payroll Services
- ✓ Personal Loans
- ✓ Seasonal Loan Specials
 - Holiday Loan (Available October–December)
 - Skip-A-Pay (Available Twice Yearly to Members via Mail)
- ✓ Business Loans
- ✓ Business Credit Cards

Services include:

- ✓ Zelle®
- ✓ Financial Education Resources
- ✓ InTouch Teller® Interactive Teller Machine
- ✓ Payment Protection Advantage®/Debt Protection
- ✓ ACH and Wire Transfers
- ✓ Apple Pay® and Google Pay™ Digital Support
- ✓ Debit Mastercard® with Ampre Cashback Programs
- ✓ MobiMoney™ Card Management for Debit and Credit Card
- ✓ Electronic (Paperless) Services
 - eNotices, eStatements, eNewsletters
- ✓ Online and Mobile Banking
 - Bill Pay
 - Money Management Personal Financial Management
 - Credit SenseSM Credit Score and other offers
 - Instant Balance (Mobile-Only)
 - Touch ID® (Mobile-Only)
 - Mobile Deposit Capture (Mobile-Only)
 - Text Message (SMS) Banking (Mobile-Only)
- ✓ The InTouch Credit Union Car Buying Service powered by TrueCar®
- ✓ Business Merchant Services
- ✓ Business Credit Card Processing
- ✓ Investment Services
- ✓ Safe Deposit Boxes (Where Available)
- ✓ Shared Branch Network Services
 - Access to 5,000+ Branch Locations
 - Access to 30,000+ Surcharge-Free ATMs
- ✓ Other Products and Services Partnerships for Discounts to Members
 - Accidental Death & Dismemberment Coverage
 - Travelers Auto/Home/Renters Insurance Program
 - TruStage® Auto/Home/Life Insurance Program
 - CU Solutions Member Discounts

(Visit ITCU.org for complete registration requirements, any applicable message and data rates, applicable fees and relevant disclosures.)



InTouch Credit Union is proud to provide a wide range of deposit and loan products to its 89,511 members.

BYLAW CHANGES

- Persons who live, worship, attend school, or work in Tarrant County, Texas
- Persons who live, worship, attend school, or work in Genesee County, Michigan
- Persons who live, worship, attend school, or work in Wayne County, Michigan
- Persons who live, worship, attend school, or work in Macomb County, Michigan

DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

Nancy Pressel	Chairman, term ends in 2022
John Roberts	Vice-Chairperson, term ends in 2021
Jodie Robinson	Secretary, term ends in 2023
Chris Lipper	Treasurer, term ends in 2021
Dan Crouse	Director, term ends in 2021
Theresa Tschirky	Director, term ends in 2023
Lisa Papageorge	Director, term ends in 2023
Terri Bryant-Harrell	Director, term ends in 2022
John Shinneman	Director, term ends in 2022

ADVISORY DIRECTORS

Jon Hardesty
Charleen Barnwell
Michelle Mills
Leanne Ferdig
Ryan Bowen
Michael Gallo

SENIOR MANAGEMENT

Kent Lugrand	President/Chief Executive Officer
J. Diane Gerstner	Executive Vice President/ Executive Operating Officer
Robert McDonald	Sr. Vice President/Chief Financial Officer
Sammie Cantrell	Sr. Vice President/Chief Administrative Officer
Tom Condos	Sr. Vice President/Chief Information Officer
Kristen Schmieg	Sr. Vice President/Delivery Channel Operations (effective 11/2/20)
Bridger Robinson	Sr. Vice President/Lending and Branch Operations (effective 11/2/20)
Tim McCoy	Vice President Marketing and eCommerce

SENIOR MANAGEMENT DEPARTURES

Piper Madison	Sr. Vice President Lending and Operations/Chief Consumer Lending Officer
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