

2019 ANNUAL REPORT



Working together in the communities we serve.



SPACE COAST CREDIT UNION

Your life. Your financial watchdog.

Federally insured by NCUA

Chairman's and President's Report



John G. Oertel
Chairman

Space Coast Credit Union enjoyed another year of strong financial performance in 2019. With earnings of 1.28% and a net worth of over 13%, we far exceeded the regulatory requirement of 7% net worth. Think of net worth as the credit union's savings for a rainy day, it positions us well to weather any economic downturn. We are pleased that more members chose SCCU for their financial needs than ever before. In 2019, we produced \$1.18 billion in auto loans, \$327 million in mortgage loans, \$104 million in home equity loans, and we opened 41,106 checking accounts and 8,237 credit cards.



Timothy M. Antonition
President, CEO

We continued our member service focus in 2019. This was our second year of having a company-wide service goal for every team member, including those who work directly with members and those who work behind the scenes. We read every member survey (all 68,150) and analyzed them so that we can repeat the good, and learn from what went wrong. This has resulted in our overall survey ratings going up by 1.5% from 4.67 to 4.74.

We need to be available when you need us, so in 2019 we extended our hours of operation at most branch locations and in many support departments behind the scenes. While you may not directly interact with support departments it is essential that team members in our branches and call centers have access to timely support to be able to complete member requests.

In 2019, we rolled out a new online and mobile banking application, featuring a more contemporary design and improved functionality. Our public website, SCCU.com, was also updated to bring our website more current and user friendly. This was the culmination of 16 months of effort and our members' response was overwhelmingly positive. Regular updates will continue as we evolve these applications to keep up with what you, our members, want.

Ongoing, we are updating all of our ATMs to include modern features and functionality. Machines are now touchscreen, so you can push the right button the first time. Also, the new machines are programmed to accept chip cards so inserting your card is easier. Most importantly, based on your feedback, we are adding deposit capability to select ATMs. This deposit capability is new and improved and no longer requires an envelope to process your deposit. We will complete our refresh in early 2020.

We also expanded our mortgage offering over the last 12 months so that we may better meet your home financing needs. We introduced a No Closing Cost Mortgage and enhanced the online application experience, making it easier to apply and send us documents.

We experienced historical deposit growth in 2019 by being a market leader whenever practical with our deposit rates. By offering a special 15-month CD rate, we returned profits to our members and opened 3,000 CDs over 4 weeks. Paying our members a higher return on this CD special fits our philosophy of giving back to members.

Our solid commitment to serving South Florida is evidenced by the long term lease we just signed for a new 48,604 square foot Operations Center in Miramar, Florida. More than half of our membership is in South Florida and this Operations Center will ensure we meet their needs. We revealed the new location to our team members in South Florida and I can tell you, they are ecstatic!

In 2019, we continued to increase our presence in the community by participating in local events, fundraising walks, and company-wide supply drives. Our United Way campaign grew again this year, with an increase of 41% over 2018 levels, and we donated \$38,000 for Hurricane Dorian relief in the Bahamas. We have generous team members who value serving, and whatever event or need we announced, our team members responded with enthusiasm, their time, and their personal donations. All of this leads to a healthier culture for the credit union, increasing retention, which ultimately benefits the membership.

In closing, we want to thank you, our members, for your support throughout 2019. We appreciate the comments you send us in your letters and survey responses. We are passionate about service delivery to members every day and you are the reason we love coming to work!

John G. Oertel
Chairman

Timothy M. Antonition
President and CEO

Credit Manager's Report

Space Coast Credit Union has enjoyed another solid year in lending. As our Members' Watchdog, we continued our focus on our brand promise of delivering trusted loan products that are priced fairly and meet the growing needs of our membership.

Part of our mission is to provide timely delivery of products that our members can trust. This past year, we originated over \$858 million in vehicle loans purchased through dealerships for our members. As a result of this effort, dealership lending has brought in 19,849 new members to the credit union.

We continue to assist our members in improving their financial position by refinancing vehicle loans that were originated elsewhere. In 2019, we refinanced over \$178 million in automobile loans. We also continued to see loans originating through our online application channel with over \$60 million in loans originated through this convenient channel.

Residential lending had a year of strong performance and growth in lending activity where we closed more than \$327 million in first mortgages and over \$104 million in home equity

loans. Our ongoing partnership with Home Advantage returned \$130,734 back to our members by their taking advantage of the program and the commission rebates it offers.

With renewed focus on mortgage lending through Conventional, VA, Construction and Condominium lending products, we are proud to assist our members in buying or building their dream homes. We remain diligently focused on finding new ways to be even more competitive and efficient in the delivery of our mortgage loan product offerings.

In 2020, we will continue to seek new opportunities and additional ways to serve our membership by delivering trusted lending products efficiently and conveniently.

J. Alan Lewis
Executive Vice President, Chief Operating Officer
Credit Manager

Audit Committee Report

The Audit Committee is appointed by the Space Coast Credit Union (SCCU) Board of Directors. The Audit Committee operates under the rules and regulations of the Florida Office of Financial Regulation, Division of Financial Institutions, and the National Credit Union Administration (NCUA) and is charged with the responsibility of determining that the financial condition of SCCU is accurately and fairly presented in the financial statements, and that management practices are in place to safeguard members' assets.

The primary functions of the Audit Committee are (1) to direct the Internal Audit Department, which monitors credit union operations through the development of a risk-based audit plan; scheduling and conducting a continuing program of reviews of credit union processes and procedures, and (2) contracting for an independent, external audit of the credit union's financial statements.

The combined skills of the Certified Public Accounting Firm of CliftonLarsonAllen LLP, with that of our in-house Internal Audit staff, has proven to be effective in maintaining an efficient and effective internal audit function for the credit union. The Internal Audit Department has unlimited access to all credit union team members and operations and has developed a risk-based audit plan for the credit union, which is revised as credit union operations and controls change during the year. The Annual Audit Plan, approved by the Audit Committee, is updated during the year as processes, controls, and events change. All audits on the updated 2019 Audit Plan were successfully completed by the end of the calendar year.

The Certified Public Accounting Firm of Warren Averett, L.L.C. was retained for the purpose of conducting the annual external audit of financial condition. In March 2019, Warren Averett's audit of the 2018 Financial Statements for SCCU resulted in an "unmodified opinion," which, in layman's terms, means everything went well and no irregularities were discovered. The financial information presented in this report for 2019 is unaudited, as the annual audit was not completed at the time of printing.

The Audit Committee reports the results of all internal and external audits to the Board of Directors.

Based on the results of the above-referenced activities and related reports, it is the opinion of the Audit Committee that the books and records of Space Coast Credit Union are in order. The Audit Committee would like to thank the SCCU Board of Directors, Management, and all SCCU team members for their support and cooperation during this past year.

Respectfully submitted by,

The Audit Committee



Stephen J. Bailey
Chairman

Donna M. Banta
Dr. Patricia Fontan
Dr. Karen O. Palladino
Julie O. Robbins

Condensed Financial Information*

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION		
	As of December 31, 2019	As of December 31, 2018
ASSETS		
Cash and cash equivalents	\$650,108,655	\$349,527,009
Investments		
Securities purchased under agreements to resell	150,000,000	-
Available-for-sale	165,728,288	61,945,778
Other	4,255,735	6,573,705
Loans held for sale	-	1,343,600
Loans to members - net of allowance for loan losses	3,715,337,673	3,456,547,412
Accrued interest receivable	9,897,012	9,024,366
Prepaid and other assets	32,709,442	38,998,970
Property and equipment - net of accumulated depreciation	91,356,428	117,642,374
Other Real Estate Owned	1,175,366	2,142,553
Goodwill	64,592,669	64,592,669
National Credit Union Share Insurance Fund deposit	37,156,954	34,181,474
TOTAL ASSETS	\$4,922,318,222	\$4,142,519,910
LIABILITIES AND MEMBERS' EQUITY		
	As of December 31, 2019	As of December 31, 2018
LIABILITIES		
Members' shares and savings accounts	\$4,215,023,029	\$3,507,053,271
Borrowed funds	-	-
Dividends and Interest Payable	319,218	135,373
Other accrued liabilities	62,426,554	49,363,245
Total liabilities	4,277,768,801	3,556,551,889
MEMBERS' EQUITY	644,549,421	585,968,021
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$4,922,318,222	\$4,142,519,910
CONSOLIDATED STATEMENT OF INCOME		
	As of December 31, 2019	As of December 31, 2018
INTEREST INCOME		
Loans	\$145,113,201	\$141,992,761
Investments	15,315,275	9,175,977
Total interest income	160,428,476	151,168,738
INTEREST EXPENSE		
Members' share and savings accounts	30,661,986	13,360,536
Borrowed funds	-	283,745
Total interest expense	30,661,986	13,644,281
Net interest income	129,766,490	137,524,457
PROVISION FOR LOAN LOSSES	7,419,568	35,083,796
Net interest income after provision for loan losses	122,346,922	102,440,661
NON-INTEREST INCOME		
Fees and service charges	32,963,335	34,161,531
Other	35,958,659	41,590,125
Total non-interest income	68,921,994	75,751,656
NON-INTEREST EXPENSE		
Compensation and employee benefits	63,032,780	57,295,321
Office operating and occupancy costs	57,764,373	58,697,461
Other	12,641,041	10,844,732
Total non-interest expense	133,438,194	126,837,514
NET INCOME	\$57,830,722	\$51,354,803
	<i>*Unaudited</i>	<i>*Audited</i>

2019 ANNUAL REPORT

Board of Directors

Executive Committee

John G. Oertel
Chairman

Thomas J. Myers
Vice Chairman

A. Desmond Almarales
Treasurer

Dale B. Neubert
Secretary

Board Members

A. Desmond Almarales
Herbert A. Fisher
Willie Howard
Kevin R. McKeown
Thomas J. Myers
Dale B. Neubert
John G. Oertel
Dr. Karen O. Palladino
Julie O. Robbins

Director Emeritus

Martha E. Frasier
William H. Paine, Sr.

Management Team

Timothy M. Antonition
President, CEO

Heather E. Hickman
Executive Vice President,
Chief of Retail Delivery

J. Alan Lewis
Executive Vice President,
Chief Operating Officer

Hilary A. Eisbrenner
Senior Vice President,
Chief Financial Officer

Laura L. Richard
Senior Vice President,
Marketing

Daniel J. Chiappone
Vice President,
Credit Solutions

Gregory E. DeRoy
Vice President,
Member Service Centers
and E-Banking

Linda A. Hart
Vice President,
Human Resources

Shane W. Hoyle
Vice President,
Member Experience

Kim M. Lynn
Vice President,
Operations

Christopher A. Matthews
Vice President,
Card Services

Gary A. Prager
Vice President,
Consumer Sales

Carmen M. Tapanes
Vice President,
Retail Services,
South Florida

Kimberly K. Tyree
Vice President,
Retail Services,
Central Florida

Nicole E. Williams
Vice President,
Information Technology

Audit Committee

Stephen J. Bailey
Chairman

Donna M. Banta
Dr. Patricia Fontan
Dr. Karen O. Palladino
Julie O. Robbins

General Information

Headquarters Address
8045 N. Wickham Road
Melbourne, FL 32940-7920

Phone:
321.752.2222

E-mail
info@sccu.com

Web Address
www.SCCU.com

Branch Locations

Brevard County (19)
Broward County (12)
Flagler County (1)
Indian River County (4)
Miami Dade County (14)
Palm Beach County (1)
Volusia County (8)



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