

RESILIENCE

ANNUAL
REPORT
2021



President & CEO REMARKS

Piedmont Advantage Credit Union is a financial cooperative, meaning we are all in this together. While the previous two years tested our resolve, **2021 is the year we strengthened who we are, adapted to the rapid economic changes and held firm to our commitments.** Throughout the year, we saw our members, our communities and employees develop resilience.



Dion Williams, President & CEO

Strength

During the pandemic, earnings were impacted and deposits grew at an unprecedented rate, which adversely impacted our reserves. Yet, we continued to invest in technology and our infrastructure. We enhanced our credit and debit card program, upgraded ATMs, relocated the Greensboro branch, introduced new business services and enriched our platform for online account and loan openings. We also made every effort to provide the most competitive rate and fee structure for members.

Economic realities of the pandemic, however, brought new challenges. We halted the relocations of our branches in the Fayetteville and Wilmington markets. The impact to earnings and reserves made it no longer feasible to pursue these projects. Another challenge throughout the eastern part of the state was in terms of staffing. The majority of the Piedmont Advantage staff is in the Triad and Charlotte markets; thus, when there was a staffing shortage in the eastern part of the state due to the pandemic, it was a hardship to provide the coverage to meet the needs of members. Even within the Charlotte market, the Atrium branch in the Charlotte Douglas International Airport had to close for a period of time.

Adaption and Commitments

With the unanimous support of the Board of Directors, **we made the strategic decision to exit the eastern part of the state to focus our future growth on connecting the Triad to Charlotte markets,** where approximately 90% of our members and assets are based, and the Piedmont brand is strong. If you want a good contrast between banks and credit unions, a bank would likely close the branches, provide a severance package and leave town all in the name of maximizing returns for shareholders.

Credit unions are different. Our members are our owners, so our shareholders and “customers” are one in the same.

In all instances of this branch realignment, no employees were laid off, and branch locations were maintained in every market for members.

In Kenansville and Fayetteville, PACU members were transferred to Bragg Mutual Federal Credit Union. Bragg Mutual has multiple locations in Fayetteville and continued branch operations in what was formerly the Piedmont Advantage branch in Kenansville. In Wilmington, PACU members were transferred to Self-Help Credit Union; and once again, Self-Help has a branch presence in the Wilmington market for the convenience of members.

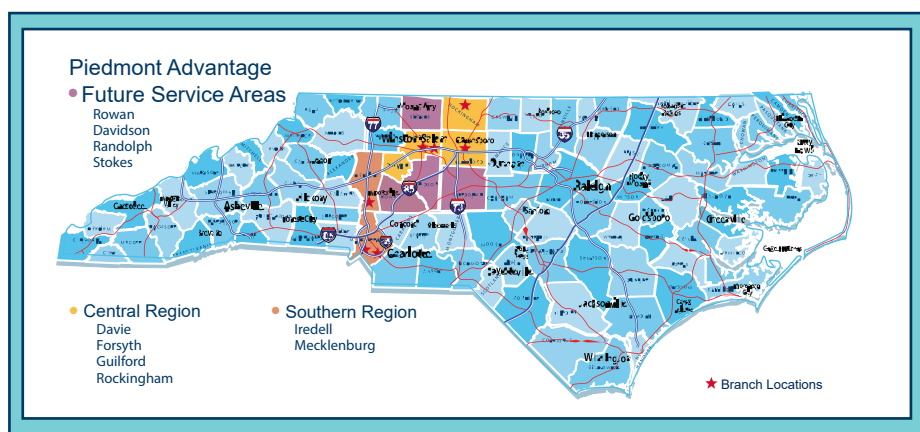
In addition, the Atrium branch in Charlotte Douglas International Airport was consolidated into the Boyer Street branch of Piedmont Advantage, which is in very close proximity to the airport. During the pandemic, the branch was unable to operate for a period of time. Every effort was made to operate our own ATM in the airport, but a large commercial bank with exclusivity rights for ATMs in the airport prohibited it. Regardless, **any member ATM activity fee in the airport on their PACU account will continue to be reimbursed.** Furthermore, for the convenience of members, shared branching services have been discontinued at the Boyer Street branch location. This means the Boyer Street branch serves Piedmont Advantage members exclusively.

This branch realignment is not a contraction plan; rather, **it is a strategic decision to facilitate the future growth of the Credit Union.** Look no further for what that growth looks like than Davie County. The next branch location of Piedmont Advantage Credit Union will be in Mocksville. A future branch site has been secured just past the intersection of highways 64 and 601 heading toward downtown Mocksville. After Mocksville, future branch sites will continue to fill in the map of areas between the Triad and Charlotte such as Davidson County, Rowan County, Randolph County and Stokes County. **The path back to 10 Piedmont Advantage Credit Union branches is well defined. See the above map for highlights.**

Resilience

Piedmont Advantage Credit Union has been serving the financial needs of our member-owners for over 70 years. Through the years, your Credit Union has weathered some storms and continued to thrive. Piedmont Advantage is blessed with an extremely talented and dedicated Board of Directors and Supervisory Committee. They serve without compensation as they are fueled by their love of the Credit Union and passion for serving others. **The strategic decisions of this past year represent a diligent and thoughtful collaboration of the management team and our dedicated volunteers. As with any decision, the well-beings of our member-owners and employees were at the forefront of the discussion.** We have every confidence that the strategy presented will sustain a safe and sound Piedmont Advantage Credit Union for another 70-plus years.

Thank you for being a member-owner of Piedmont Advantage Credit Union. It is our honor to be your financial partner for all stages of your financial life. **Thank you for your resilience during the pandemic. Our pledge is to continue working on your behalf to build upon the tremendous legacy of Piedmont Advantage Credit Union so our story writes more chapters without losing sight of our humble beginnings.**



FINANCIAL STATEMENTS

Statements of Financial Condition

Assets

Cash and cash equivalents	\$ 73,282,231	\$ 59,305,073
Investments:		
Available-for-sale	113,677,261	49,329,106
Other	2,576,533	2,671,499
Federal Home Loan Bank (FHLB) stock	203,600	312,600
Loans receivable, net of allowance for loan losses of \$1,374,233 and \$2,842,319 at December 31, 2021 and 2020, respectively	228,584,719	260,775,659
Accrued interest receivable	845,607	846,904
Premises and equipment, net	12,709,567	13,684,508
National Credit Union Share Insurance Fund deposit	3,768,785	3,348,352
Assets acquired in liquidation	92,047	488,116
Right of use leasing asset	1,736,023	-
Goodwill	178,667	261,120
Other assets	13,080,643	16,071,669
Total assets	\$450,735,683	\$407,094,606

Liabilities and Members' Equity

Liabilities

Members' share and savings accounts	\$ 414,519,035	\$ 369,818,972
Accrued expenses and other liabilities	1,365,703	2,535,245
Lease liability	1,747,676	-
Total liabilities	417,632,414	372,354,217

Members' equity

Regular reserve	5,561,337	5,561,337
Undivided earnings	28,424,653	28,244,719
Accumulated other comprehensive loss	(1,970,878)	(153,824)
Equity acquired in merger	1,088,157	1,088,157
Total members' equity	33,103,269	34,740,389
Total liabilities and members' equity	\$450,735,683	\$407,094,606

Statements of Financial Condition

Interest income

Interest on loans receivable	\$ 10,856,375	\$ 13,117,665
Interest on investments	851,606	426,524
Interest income	11,707,981	13,544,189

Interest expense

Dividends on members' share and savings accounts	773,949	1,131,091
Interest expense	773,949	1,131,091
Net interest income	10,934,032	12,413,098

Provision for loan losses

Net interest income after provision for loan losses	(1,016,000)	2,401,000
	11,950,032	10,012,098

Noninterest income

Fees and service charges	4,274,676	3,767,136
Other noninterest income	2,233,672	1,805,100
Gains on sale of mortgage loans, net	677	1,630
Gains on disposition of premises and equipment, net	317,739	2,861
Noninterest income	6,826,764	5,576,727

Noninterest expense

Compensation and employee benefits	8,019,226	7,664,171
Operations	5,945,057	4,867,623
Professional and outside services	1,654,502	1,936,137
Loan servicing	1,208,537	1,082,375
Occupancy	1,175,679	1,019,463
Education and promotion	511,408	577,012
Goodwill amortization	82,453	82,453
Noninterest expense	18,596,862	17,229,243
Net income (loss)	\$ 179,934	\$ (1,640,418)

Supervisory Committee



Diana Santos-Johnson
Committee Chair

Each year, the **Supervisory Committee audits the Credit Union's financial statements** and reviews its records and activities to promote safety and soundness.

This report is given on behalf of the committee, which also includes **Toni Douglas, A.J. Eaker** and **Mara O'Neil**.

I would also like to thank our prior Chairperson, **Elizabeth Davidson**, for her service to the Credit Union.

The committee retained Elliott Davis to perform the annual audit and review our conformity with generally accepted accounting principles. The audit was for financials for year-end, December 31, 2021. Elliott Davis also performed the annual verification of members' accounts, an analysis of our policies and procedures and an audit of our 401(k) plan.

During the year, the Credit Union Division of the North Carolina Department of Commerce examined the Credit Union to ensure our compliance with all applicable laws, rules and regulations. Other engaged services included The Legge Group to review our internal controls, policies and procedures; FIRM Consulting to conduct our Bank Secrecy Act audit and Loan Operations audit; Vizo Financial to audit automated clearing houses (ACHs); and SilverSky to perform an IT security and risk audit.

Treasurer's Report



John Reece
Board Treasurer

As of year-end, December 31, 2021, your Credit Union remains safe and sound with a strong balance sheet.

The Credit Union ended the year with \$450,735,683 in assets. Net income for the year was \$179,934.

Members' equity was \$33,103,269, which equated to a regulatory net worth ratio of 7.78%. A credit union is considered well capitalized if its net worth is greater than 7%; therefore, **Piedmont Advantage Credit Union is well capitalized.**

A credit union's equity can also be thought of as its "rainy day fund." The "rainy day fund" has been extremely beneficial in recent years.

Chairman of the Board REMARKS



Tom Mekis
Board Chairman

Since the pandemic was the focal point of recent annual reports, it seems reasonable in my remarks to look back in order to look ahead to a bright future for the Credit Union.

If I could choose only one word to describe how Piedmont Advantage weathered the storm in recent years, it would be resilience.

Our Member Relationship Team, or Call Center, showed up for work in person every day during the pandemic to assist members. Whether it was by appointment only, drive-thru or other lobby accommodations, branch staff served members. Our back office staff rotated shifts between remote working and in-office to not miss a beat. The Board of Directors, Supervisory Committee and other volunteer committees maintained a regular meeting schedule via virtual meetings. **We never lost sight of our commitment to Simply Service®.**

Our members remained the priority throughout the pandemic.

We shared in prior annual reports that we implemented a business lending program in a few short weeks during the pandemic to assist over 50 small businesses with the SBA Paycheck Protection Program loans totaling over \$1.5 million. Members asked us to build upon that to continue serving small businesses; and we listened. Staff was hired, and **an expanded business services program is now available to meet deposit and lending needs of small businesses.**

Financial literacy remains a priority. There is no better way to establish the foundation of financial literacy than to reach members at a young age. Therefore, a Youth Program was implemented. In addition, the PACU Foundation has promoted financial literacy through its support of organizations in the communities we serve. Piedmont Advantage is committed to financial literacy for members of all ages and stages of life. **Our commitment goes beyond products and services as we recognize the importance of education in the process.**

As new products and services were being developed and launched, we did not lose sight of maintaining high employee morale. To measure how we were doing in that regard, we participated in the 2022 Triad Best Places to Work competition. **I am pleased to report that Piedmont Advantage Credit Union was recognized as a finalist in the competition as determined by confidential employee surveys. In fact, the surveys reflected a “highly engaged” staff that described the workplace as “fun.”** These results reflect the commitment of everyone at Piedmont Advantage to serve our member-owners, while finding joy in doing so. Congratulations to the staff on a job well done.

I am proud to say that your Credit Union is safe and sound. Thank you to my fellow volunteers, the staff of Piedmont Advantage, and most importantly, to the members of Piedmont Advantage for your resilience. The past couple of years presented many challenges, but these challenges did not break the spirit or resilience of this organization.

Board of Directors



Tom Mekis
Chairman



Steve Gilliland
Vice Chairman



Mark Saunders
Secretary



John Reece
Treasurer



Darren Cranfill
Director



Justine Lerch
Director



George Price
Director



Mark Linville
Director



Brian Myers
Director



Gene Sharpe
Director
Emeritus



Ramon Hoots
Director
Emeritus

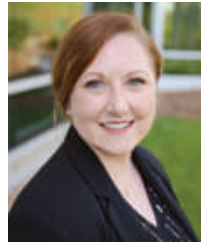


Jim Taylor
Chairman
Emeritus

2021 Spotlight THE PACU Foundation

The PACU Foundation was established in January 2020 as a way to reach beyond the walls of the Credit Union and into our communities. Its mission is to “help create strong, sustainable financial health in our local communities by using the power of the cooperative efforts to enable dreams to take flight and soar.”

In this mission statement, the reference to “cooperative efforts” is intentional. Credit unions are cooperatives, meaning we are guided by a set of standardized principles.



Jean Golden-Rumer
Foundation President

Prior to establishing the PACU Foundation, Piedmont Advantage Credit Union was already taking steps to fulfill the 7th Cooperative Principle, “Concern for Community.” The Foundation provides the Credit Union with another channel to expand on those efforts.

Although the Foundation kicked off shortly before COVID-19, which significantly impacted fundraising efforts, **the PACU Foundation gifted a total of \$6,000 to three local organizations at the end of 2020. At the end of our second year, 2021, that number jumped to \$21,000 gifted across our footprint, for a cumulative total of \$27,000 gifted across North Carolina.**

These results would not be possible without the hard work of our volunteers and donors.

A unique quality of the PACU Foundation is the Credit Union does not provide funding to the organization. Instead, it provides volunteer hours to run the Foundation’s operations and activities. For example, **my full-time job with the Credit Union is as Organizational Development Manager responsible for overseeing human resources, staff training and internal communications.**

In addition to volunteering time, more than 70% of the Credit Union’s employees are donors. We would have been unable to accomplish all of the mentioned milestones without the dedication of my colleagues.

To learn more about the PACU Foundation or how to donate, go to PACUFoundation.org.