

ANNUAL REPORT 2023

Board of Directors

The Piedmont Advantage Board of Directors represents the history and tradition of the credit union as well as a commitment to the members and communities we serve.

Directors are volunteers and serve without compensation; so their time, talent and knowledge are shared with the credit union as a labor of love.

Tom Mekis
Chairman

Steve Gilliland
Vice Chairman

Mark Saunders
Secretary

Mark Linville
Treasurer

Darren Cranfill
Justine Lerch
Brian Myers
George Price
Diana Santos-Johnson

Elizabeth Davidson
Associate Director

Ramon Hoots
Director Emeritus

John Reece
Director Emeritus

Gene Sharp
Director Emeritus

Jim Taylor
Chairman Emeritus

Supervisory Committee

The Supervisory Committee ensures the Board safeguards assets and management complies with the organization's established policies. Committee members also are volunteers. Their gift of time demonstrates a commitment to the credit union's success.

Diana Santos-Johnson
Chair

Elizabeth Davidson
Toni Douglas
A.J. Eaker

State of the Credit Union

A Report from President & CEO Dion Williams

While this Annual Report reflects on the achievements of 2023, it is being presented in 2024, our 75th anniversary year, a milestone that marks decades of resilience, trust and belonging. As we celebrate this special moment, I encourage you to read our commemorative booklet, *The 75-Year Blueprint of Resilience, Trust and Belonging*, to learn more about this remarkable journey that we have experienced together. Copies of this booklet are available while supplies last at any of our branches or downloadable from our website, www.pacu.com/75-Years.

For our 2023 Annual Report, my remarks will focus on where we've been and the path forward, as we lay the foundation for the next 75 years of growth, innovation and service to our members.

2023 was not without its challenges. The continued aftermath from the pandemic with high interest rates and other economic pressures made it a difficult year for many financial institutions, including ours. As a result, we experienced a net loss of \$658,632. Yet, as our commemorative booklet illustrates, we have weathered many similar, if not worse, challenges in the past.

From the economic turbulence of the 1970s, marked by skyrocketing inflation and interest rates to the impact of 9/11, which hit our aviation-based members hardest, we adapted and strengthened our operations. During the Great Recession in 2008, when many financial institutions were faltering or closing their doors, we doubled down on our commitment to member service and community support, emerging more resilient than ever.

Time and time again, we've shown that our resilience is grounded in our ability to innovate and remain member-focused, even during the most difficult times. This past year is no different. With a net loss at year-end, we remain well-capitalized with a net worth of \$34,518,612 and net worth ratio of 8.86%. A well-capitalized credit union has a net worth ratio of 7.00% and above.

Already in 2024, we're emerging stronger by continuing to invest in our employees and programs that support our members through every stage of their financial journey. More and more of our member-facing employees are earning a financial counselor credential so that they have skill-sets and confidence to help you make the best financial decisions.

Our youth program, featuring our K-12 MoneyY-ZER financial learning series, is flourishing due to our talented staff's creativity to present age-appropriate financial activities in a manner that's fun, yet memorable. I can't tell you how many times a parent, educator or community leader has said to me after one of our youth events, "I wish I had this exposure to finances when I was in school."

Our Investment Solutions program continues to grow, managing more than \$100 million in assets and offering personalized wealth management strategies. This program is a testament to our dedication to helping you manage and grow your wealth. Whether you're just starting to save or preparing to retire, our team is here to guide you toward your goals.



Chairman's Report

Tom Mekis, Chairman of the Board of Directors

One of the key strengths of credit unions, and a defining feature of Piedmont Advantage, is our governance by dedicated volunteers. The members of our Board of Directors and Supervisory Committee serve without compensation, driven by their commitment to represent our 31,000+ member-owners. Their role is essential to our success and growth, and I am honored to work alongside them.

Your Board members are:

- Steve Gilliland, Vice Chairman
- Mark Linville, Treasurer
- Mark Saunders, Secretary
- Darren Cranfill
- Justine Lerch
- Brian Myers
- George Price
- Diana Santos Johnson

In addition, we are supported by our Associate Director, Liz Davidson, and four Directors with Emeritus status: Ramon Hoots, John Reece, Gene Sharp and Jim Taylor (Chairman Emeritus).

Our Supervisory Committee is represented by:

- Diana Santos Johnson, Chair
- Elizabeth Davidson
- Toni Douglas
- A.J. Eaker

The Evolution of Our Volunteer Base

Historically, our volunteers came from Piedmont Aviation and Piedmont Airlines. As our membership has expanded to include a diverse range of businesses and communities, our volunteer base has also evolved. Today, our volunteers bring expertise from aviation, legal, real estate, government, education and other industries. They represent not only our diverse membership but also the geographic regions we serve. This evolution is a deliberate effort to ensure that your representatives understand the places where you work and live.

75 Years of Service

While this Annual Report primarily presents our financial health as of year-end 2023, I would be remiss if I didn't acknowledge this report is being presented in 2024, which marks our 75th Anniversary, a significant milestone in our journey. Despite the changes over the years, one thing remains constant: Our commitment to serving you. This was true in 1949, and it remains true today. We are proud of our legacy as a financial cooperative, returning "profits" to our members through low fees, favorable deposit and loan rates and investments in our service delivery channels, including our branches and with technology.

This year, we invested in a major technology upgrade, continuing our efforts to build infrastructure to support future growth. While we recognize that keeping up with technology is vital to reaching members where they are, we remain focused on the people who make Piedmont Advantage unique. Our branches and call center will not be replaced by artificial intelligence. Our friendly and knowledgeable staff will continue to be at the heart of how we serve you. People—our members, staff and volunteers—are our most valuable asset, and that will never change.

As we celebrate 75 years of service, we look forward to a bright future, guided by the same principles that have made us successful. I want to express my sincere appreciation to my fellow volunteers, the staff of Piedmont Advantage and, most importantly, to you, our member-owners. We are excited about the journey ahead and remain committed to serving you for many more years to come.



Supervisory Committee's Report

Diana Santos-Johnson, Chair

As required by the bylaws, PACU's Board of Directors appoints a Supervisory Committee each year to audit our financial statements. The committee represents the membership by reviewing the credit union's 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 Elizabeth Davidson.

The committee retained Butler and Burke to perform the annual audit and review our conformity with generally accepted accounting principles. The audit was for financials for year-end, December 31, 2023. A clean opinion was rendered.

The engagement with Butler and Burke also includes 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 and the National Credit Union Administration examined the credit union to ensure our compliance with all applicable laws, rules and regulations.

Other engaged services included:

FIRM Consulting to review our internal controls, policies and procedures and to conduct our Bank Secrecy Act, wire transfer, loan operations and vendor management audits;

The Legge Group to perform our Bank Secrecy Act risk assessment;

Feather CU Services to audit ACHs and SilverSky to perform an IT security and risk audit.

FINANCIAL STATEMENTS

Statements of Financial Condition

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 11,519,143	\$ 23,615,821
Investment securities, available-for-sale	81,347,813	93,745,238
Investment securities, other	3,005,973	2,988,271
Federal Home Loan Bank (FHLB) stock	288,400	225,400
Loans receivable, net of allowance for credit losses	264,600,206	253,555,632
Accrued interest receivable	997,106	976,085
Property and equipment, net	11,261,946	12,093,752
NCUSIF deposit	3,627,080	3,796,384
Right-of-use lease assets	1,353,271	1,522,014
Goodwill	13,761	96,214
Other assets	11,491,234	12,481,690
TOTAL ASSETS	\$ 389,505,933	\$ 405,096,501
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' share and savings accounts	\$ 366,077,107	\$ 379,606,156
Accrued expenses and other liabilities	479,070	2,674,465
Operating lease liabilities	1,390,172	1,547,046
Total Liabilities	367,946,349	383,827,667
Members' Equity		
Undivided earnings	34,518,612	35,219,603
Accumulated other comprehensive income (loss)	(12,959,028)	(13,950,769)
Total Members' Equity	21,559,584	21,268,834
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 389,505,933	\$ 405,096,501



Treasurer's Report

Mark Linville

The Credit Union ended the year with \$384,914,274 in assets. There was a net loss for the year of \$658,632. The higher interest rate environment contributed to a considerable increase in the cost of funds relative to previous years, which led to negative earnings in 2023. The same environment will persist in 2024.

Members' equity, also known as the credit union's net worth was \$34,518,613, which equates to a net worth ratio of 8.86%. A credit union is considered well-capitalized if its net worth exceeds 7.00%; therefore, Piedmont Advantage Credit Union is well-capitalized.

A credit union's equity can be considered as its "rainy day fund." The "rainy day fund" has been extremely beneficial in recent years from the pandemic to the current cycle of inflation and elevated interest rates.

Your credit union remains safe and sound with a strong balance sheet. With the elevated interest rate environment and tight liquidity in the financial services sector, I also want to assure you that Piedmont Advantage has more than ample liquidity sources to meet the needs of its member-owners. In addition, asset quality remains a strength of the credit union as the combined ratio for loan losses and delinquent loans has been and continues to be less than 1.00%.

If you're interested in viewing the detailed Financial Statement, you're welcome to inquire at our corporate headquarters at Advantage Way in Winston-Salem.

Statements of Income

	2023	2022
Interest Income		
Outstanding loans	\$ 12,156,983	\$ 9,714,755
Investment securities	2,667,886	2,100,691
Total Interest Income	14,824,869	11,815,446
Interest Expense		
Members' share and savings accounts	2,920,357	911,150
Total Interest Expense	2,920,357	911,150
NET INTEREST INCOME	11,904,512	10,904,296
Provision for (recoveries from) Credit Losses	(100,590)	254,650
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	12,005,102	10,649,646
Non-Interest Income		
Fees and services charges	4,071,700	5,857,057
Other noninterest income	2,214,669	2,283,681
Gains on disposal of property and equipment, net	209,643	445,314
Total Non-Interest Income	6,496,012	8,586,052
Non-Interest Expense		
Compensation and employee benefits	8,241,676	8,236,009
Operations	7,318,119	6,719,948
Professional and outside services	1,181,001	1,103,913
Loan servicing	906,149	1,055,768
Occupancy	1,121,498	1,330,937
Education and promotion	308,850	561,214
Goodwill amortization	82,453	82,453
Total Non-Interest Expense	19,159,746	19,090,242
NET INCOME (LOSS)	\$ (658,632)	\$ 145,456

Branch Locations

Advantage Way Branch
3530 Advantage Way
Winston-Salem, NC 27103

Charlotte Branch
2830 Boyer Street
Charlotte, NC 28208

Eden Branch
212 E. Kings Highway
Eden, NC 27288

Greensboro Branch
3717 Battleground Avenue
Greensboro, NC 27410

Mooresville Branch
139 S. Cardigan Way
Mooresville, NC 28117

University Branch
4997 Home Road
Winston-Salem, NC 27106

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Our commitment to the community remains stronger than ever. The PACU Foundation is leading the way in charitable giving, with a focus on financial literacy, education and disaster relief. By the end of 2024, we will have raised and distributed \$100,000 to support residents in the Triad and Charlotte areas who are overcoming financial hardship. This is just the beginning of our efforts to give back to the communities we serve.

We are also proud to continue offering scholarships for higher education, including the Piedmont Advantage and Davidson Family Aviation Scholarship Program at Forsyth Technical Community College. This program supports students pursuing careers in aviation systems technology, staying true to our aviation roots while investing in the next generation of professionals.

In 2023, we introduced Simply Service® Day, where PACU staff volunteered at local charities throughout our communities. From cooking and cleaning to organizing and stocking supplies, our employees came together to make a tangible impact. We're excited to continue this tradition for many years to come.

We also launched the Headlines and Fine Print podcast, which provides valuable insights into today's most pressing financial topics. Available on YouTube and Spotify, this podcast helps members navigate the often-confusing world of finance, empowering them to make better-informed decisions.

As technology continues to evolve, so does PACU. Last year, we started a core banking system upgrade, which we completed in June 2024. This upgrade allows us to offer more customized digital banking services, making it easier than ever for members to manage their finances online and on the go.

We're also working on a new website, scheduled to launch in early 2025. Our goal is simple: To create a streamlined, user-friendly platform that acts as a virtual branch, giving you quick and easy access to the services you need with minimal effort.

While we continue to enhance our digital offerings, we remain committed to providing personal, face-to-face service. We recognize that our members have diverse needs, and we are working to expand our branch network with smaller, more accessible branches. This way, you can choose the banking experience that best suits you, whether that's in person or online. At PACU, our people will always come first, and we are committed to blending the best of both worlds: Technology and human interaction.

Lastly, I want to highlight our upcoming changes to the credit card program, which will launch this fall in 2024 with Elan Financial Services. These enhancements will provide more reasons for members to make PACU their card of choice, and we are confident that this proactive approach will keep us competitive in an increasingly regulated financial landscape.

As I reflect on the state of our credit union, I am reminded that the key to our success is the sense of belonging that we offer. At PACU, you're part of something bigger, a financial institution that prioritizes people, community and solutions. We invite you to spread the word, to bring in your family members, friends and colleagues, and to experience what makes PACU truly unique.



To learn more about our 75-year journey, copies of the booklet, *The 75-Year Blueprint of Resilience, Trust and Belonging*, are available while supplies last at any of our branches or downloadable from our website, www.pacu.com/75-Years.