



SCENIC COMMUNITY™

CREDIT UNION

2023 ANNUAL REPORT



AGENDA | MARCH 21, 2024

OUR MISSION

We advance financial peace of mind within our community.

MANAGEMENT

Kendall G. Foster, CEO
Brenda Edwards, Chief Operations Officer
Tami Powroznik, Compliance Officer
Julie Raines, Chief Financial Officer
Rodney Selcer, Chief Lending Officer

AGENDA

- Roll Call
- Reading of the Minutes from the last Annual Meeting
- Report of Directors
- Report of the Treasurer
- Report of the Loan Committee
- Old Business
- Report of the Nominating Committee
- Election of Directors
- New Business
- Drawing of Door Prizes
- Adjournment

2023 BOARD OF DIRECTORS



Allen Neely, Chairman



Bob Mader, Vice Chairman



Stan Hopkins, Secretary/Treasurer



Peter Ensign



Wayne Denham



Jay Land, Alternate Director

HIXSON MAIN OFFICE



E. BRAINERD



SODDY DAISY



OLTEWAH



MINUTES OF ANNUAL MEETING

March 23, 2023

The 69th Annual Meeting of Scenic Community Credit Union was held at 6:00 P.M. on Thursday, March 23, 2023, at the Gathering Church Activities Center.

Board Chairman Allen Neely welcomed those in attendance to Scenic Community Credit Union's Annual Meeting. He then asked Stan Hopkins to lead the meeting in prayer. A dinner buffet was then served to everyone.

Chairman Neely asked our corporate attorney David Kesler if he would serve as parliamentarian for the meeting and he agreed to do so.

Board Secretary Stan Hopkins declared there was a quorum present, and Chairman Allen Neely called the meeting to order and asked for a motion that he might digress from the agenda and conduct the meeting at his discretion. The motion was made, seconded, and carried.

Chairman Neely recognized the following guests:

David Kesler – Miller & Martin, Attorney

Daniel Sheets – Henderson, Hutcherson, & McCullough Audit Firm, CPA's

SCCU Associates

Current Board Members:

Allen Neely-Chairman, Bob Mader-Vice Chairman, Stan Hopkins-Secretary/Treasurer, Peter Ensign, and Wayne Denham. Also attending were Alternate Board Members Joyce West and Doris Gray.

Kendall Foster (CEO)

Current and past volunteers

All Military Veterans, Current Military, Armed Services, and First Responders

Chairman Neely then asked for a motion to dispense with the reading of the minutes of the last (2022) Annual Meeting, as well as the reports of the Board of Directors, The Loan Committee, and the Treasurer's report since they are published in the Annual Report which each member received this evening. Motion was made, Seconded, and carried.

Old Business – None

Chairman Neely introduced Bob Mader, Chairman of the Nominating Committee, who nominated Pete Ensign and Wayne Denham to be elected to 3-year terms to the Board of Directors of SCCU. A motion was made, seconded, and carried to accept the nomination. There was no dissension to the vote, so the motion carried.

New Business – None

Chairman Neely discussed SCCU's highlights during 2022. (1) We opened our new East Brainerd Branch October 20th, 2022, at 8171 East Brainerd Road. (2) We were nominated as a finalist for the Better Business Bureau Torch Award for Market Place Ethics as well as Chattanooga Best of the Best finalist for best Credit Union. (3) We partnered with several local organizations like Northside Neighborhood House, Bethel Bible Village, Ronald McDonald House, Erlanger Children's Hospital, Inheritance for Hope, and the Forgotten Child Fund.

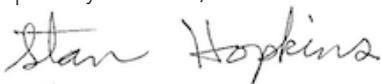
Chairman Neely reminded everyone that our Credit Union always has volunteer positions available which includes Board members. Chairman Neely also introduced Jay Land who has submitted his request to serve on our Board of Directors as an alternate.

Chairman Neely asked for a motion to adjourn the Business Meeting. The motion was made, seconded, and carried and the Business Meeting was adjourned at 6:56 P.M.

The drawing for the door prizes was conducted by Chairman Allen Neely with assistance from three youth volunteers from the audience – Rosco, Anika, and Mariyah. The prizes were: two \$200 gift baskets and one \$300 gift basket.

Chairman Neely urged members present to use SCCU for all their financial needs and expressed appreciation for those attending the meeting. The meeting was adjourned at 7:09 P.M.

Respectfully submitted,



Stan Hopkins
Secretary

CHAIRMAN & CEO'S REPORT

Since our humble beginnings in 1953, Scenic Community Credit Union has stood as a beacon of financial stability and a trusted partner to our members. Our commitment to delivering exceptional service, fostering financial well-being, and supporting the communities we serve has been unwavering throughout the years. At the heart of our success lies the enduring relationships we have built with you, our valued members. Your trust and loyalty have been the driving force behind our growth and evolution. Together, we have weathered economic changes, embraced technological advancements, and adapted to the evolving needs of our members.

The 2023 U.S. economy, with its underlying inflation, appears to have leveled off at a measure that is ok with the Federal Reserve and the rate-hike cycle may be over. The Fed followed up their +425 basis points (4.25%) of rate increases in 2022 by raising rates another +100 basis points (1.00%) in 2023. This +525 basis points of rate increases, which took place from March 2022 to July 2023, took rates up to 5.50%, the highest level since 2001. This rate environment has been good for our savers but has made it hard on our borrowers. With the Fed expecting to start cutting rates in 2024, it may allow rates more accommodating for our borrowers while allowing our savers to continue earning a good rate on their deposits. We want your Credit Union to be the place you look to for your financial needs. That is why we work to keep our savings rate as high as possible and our loan rates as low as possible to help all of our members.

Your Board of Directors and management will continue to strive to meet our members' needs while ensuring our Credit Union is a safe, sound, and responsible full service financial institution. Our capital is strong, and your deposits are federally insured by the National Credit Union Administration. We will continue to offer our members the best products and services possible while keeping in compliance with state and federal regulations, which govern our operations. In January 2024 Scenic Community Credit Union received the designation of the Best of Bauer, which indicates that SCCU earned Bauer Financials' highest 5-star superior rating for the most recent 100 consecutive quarters, or longer (25 years), www.bauerfinancial.com. Also, our members voted SCCU a Finalist for the 2023 Best of the Best Credit Union in the Chattanooga Times Free Press Readers' Poll. We thank you for your continued vote of confidence.

On behalf of the Board of Directors, volunteers, and staff, we extend our deepest gratitude to each of you for allowing Scenic Community Credit Union to be your financial partner. Please tell your family members, friends and neighbors about your Credit Union and encourage them to join our Credit Union family. Here's to 70 years of success, growth, and community impact!

Respectfully submitted,



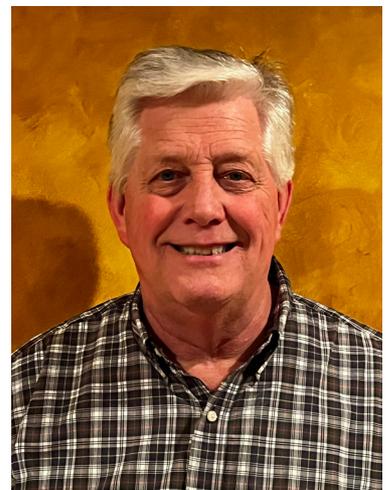
M. Allen Neely
CHAIRMAN



Kendall G. Foster
CEO



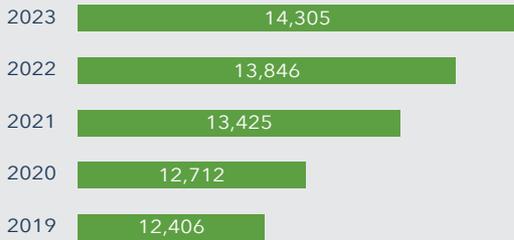
Allen Neely, Chairman



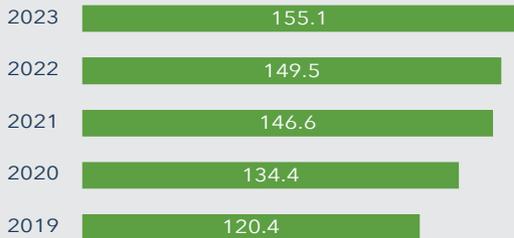
Kendall Foster, CEO

LOAN COMMITTEE REPORT

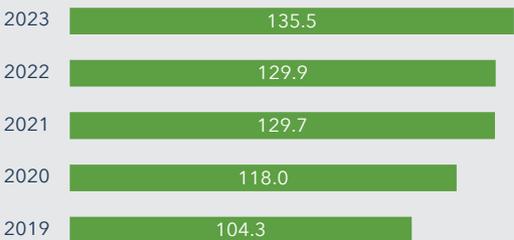
MEMBERSHIP



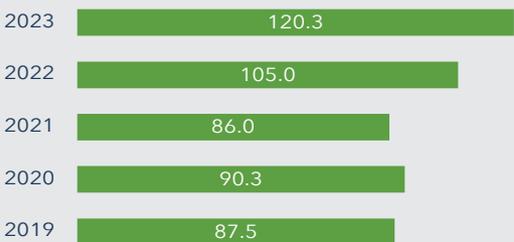
ASSETS



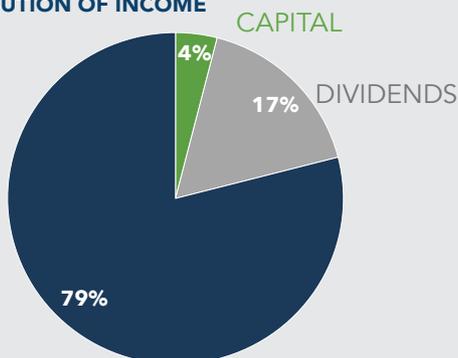
MEMBERSHIP SAVINGS



OUTSTANDING MEMBERSHIP LOANS



DISTRIBUTION OF INCOME



The 2023 year-end loan portfolio balance including credit cards was \$121.4 million. Allowance for Loan Losses was \$1,101,171 at year-end making our total Net Loans to Members \$120.3 million. Annual net loan growth for 2023 was budgeted to be approximately \$1.7 million or 1.70%. A \$13.9 million (19.52% increase) in net loans funded through our Indirect Lending Department helped fuel a net increase in our Credit Union's loan portfolio of \$16.25 million. The net increase in outstanding loan balances equated to a positive 15.47% annual loan growth for the year. The Loan to Share Ratio at year-end was 89.64%. The average Loan to Share Ratio of our Peer Group was 74.20%. The gross annualized loan interest rate yield was 6.53% at year-end which is a 124-basis point increase over 2022.

The overall risk within our loan portfolio decreased in 2023 resulting from our Credit Union tightening underwriting on loans made through our Indirect Lending Department. However, the loan delinquency and charge-off ratios remain high due to the financial stress being experienced by our members. The higher interest rates and overall higher cost of living experienced by our country reportedly has resulted in more than 60% of Americans living paycheck to paycheck. The loan delinquency ratio was 1.00% of outstanding loan balances at year-end. Total reportable delinquent dollars were \$1,211,461 at year-end which was almost equivalent to our year-end 2022 delinquent dollars. The total dollar amount of loans charged-off in 2023 was \$1,168,699. Our Credit Union's net charge-offs to average loans ratio was 1.19%.

Our Credit Union's Indirect Lending Department continued to produce most of the consumer loans and new membership accounts during 2023. Eighty-four percent (84%) of the vehicle loans we financed through our Dealer Program in 2023 were to a new members for SCCU. SCCU offers financing for new and used car purchases directly at the participating dealerships within our community. Our current Automobile Dealership Partners can be viewed on SCCU's web site under the Borrow tab.

We continue to have a strong mortgage loan relationship with 7 Mortgage Company, a Credit Union Service Organization (CUSO) located in Knoxville, TN. This financial relationship allows SCCU to offer various residential mortgage products to our members. We also offer a Home Equity Line-of-Credit product through our Branch locations. Visit SCCU's web site, www.MySCCU.com, to see all the mortgage products we offer our members.

We encourage our members to get pre-approved for your loan with SCCU when considering purchasing a vehicle or residential property. Please contact us by telephone, internet via SCCU's website or come in to see us at any of our branch locations. We would appreciate the opportunity to sit down with you and discuss your financial needs.

Respectfully submitted,

B. Rodney Selcer
Chief Lending Officer
NMLS # 593712

TREASURER'S REPORT

The U.S Federal Reserve raised the funds target rate one hundred basis points in 2023 ending the year at 5.50%. This remains the highest it has been since 2001. The Federal Reserve is expected to decrease rates about 100-125 basis points in 2024 and continue cuts during 2025 and 2026. The increase in rates in 2023 did not affect the loan volume as expected. The yield on consumer and real estate loans continued to increase in 2023. For Indirect loans, the average yield at year end was 6.73% while the average yield on direct loans was 6.04%. This is an increase over 2022 of 1.20% and 1.28% respectively. SCCU's loan portfolio increased by 15.47% year over year. The gross loan portfolio was \$105 million at year end 2022 and increased to \$121 million, before allowance for loan losses, at year end 2023. The largest increase in the loan portfolio remains to be with the Indirect Loans with an annual increase of 19.52%. The Financial Accounting Standards Board (FASB) announced in 2016 a new accounting standard introducing the current expected credit loss, or CECL, methodology for estimating allowances for credit loss. SCCU adopted CECL in January 2023. The effect of the change required an increase to the allowance by \$1.78 Million. This increase was completed by a onetime adjustment to capital. At year end 2022 the delinquency ratio was 1.16% and decreased to 1.0% at year-end 2023. The Charge off ratio for 2023 was 1.19% which is above peer at 0.33%. SCCU added 459 net new members in 2023 ending the year with a total of 14,305 members. Assets increased from \$149.5 million at year end 2022 to \$155.1 million at year end 2023. Total shares increased \$5.56 Million year over year ending 2023 at \$135.5 million. SCCU achieved an operational return on assets (ROA) of 0.25% for the year.



Stan Hopkins, Treasurer

The National Credit Union Administration (NCUA) insures accounts up to \$250,000, at SCCU, through the National Credit Union Share Insurance Fund, which was established by Congress in 1970 to insure members' shares. The Share Insurance Fund is backed by the full faith and credit of the United States Government. IRAs are insured up to \$250,000 separately from other accounts.

The Tennessee Department of Financial Institutions, SCCU's regulatory agency in Tennessee, has adopted the net worth ratio, set as an industry standard by NCUA as a measure of financial strength. SCCU's net worth to asset ratio for December 31, 2023, was 9.91%, well above the 7.00% ratio established as the minimum allowable capital level for "well capitalized credit unions" by the NCUA.

To ensure accuracy in reporting, the Compliance Officer performed compliance audits on the records and operations of SCCU and the Loan Review Committee (which consists of volunteers appointed by the Board of Directors, as well as, Chief Lending Officer, Compliance officer and Indirect Lending Manager) performed monthly audits on loans, selected at random. All audits reflected that SCCU complied with applicable state and federal law and the regulations of the Tennessee Department of Financial Institutions and the National Credit Union Administration, as well as the Credit Union By-laws and Policies. Oversight of these audits fulfills the duties and responsibilities of the Board of Directors as it relates to the statutory and regulatory requirement to conduct these audits.

An independent annual audit for the year ending December 31, 2023, is presently being conducted by Henderson, Hutcherson & McCullough, CPA's.

It is the opinion of the Board of Directors that these audits and examinations provide reasonable assurance that the financial statements are being properly accounted for and that they present fairly the financial condition of Scenic Community Credit Union.

Respectfully submitted,

A handwritten signature in cursive that reads "Stan Hopkins".

Stan Hopkins
Treasurer

FINANCIAL STATEMENT

YEARS ENDING DECEMBER 31, 2022 AND 2023

BALANCE SHEET	2022	2023
ASSETS (What We Own)		
Cash	1,564,492	1,308,879
Investments	37,102,654	26,968,011
Member Loans	101,334,627	117,238,997
Member Business Loans	3,568,375	3,087,355
Other Assets	5,887,733	6,507,496
TOTAL ASSETS	149,457,881	155,110,738
LIABILITIES AND NET WORTH (What We Owe and Have in Reserve)		
Member Shares	58,001,527	51,694,245
Share Drafts	26,462,202	26,350,033
Share Certificates	15,516,904	29,514,566
Shares Daily Money Manager	29,917,013	27,897,810
Accrued Interest Payable	43,810	49,363
Other Liabilities	2,733,244	4,230,825
Reserves	16,783,181	15,373,896
TOTAL LIABILITIES AND NET WORTH	149,457,881	155,110,738
INCOME & EXPENSES		
INCOME (What We Receive)		
Interest Earned on Loans	4,876,277	6,572,714
Interest Earned on Investments	273,441	337,923
Other Income	1,341,710	1,377,929
TOTAL INCOME	6,491,428	8,288,566
EXPENSES (What We Spent)		
Compensation and Benefits	2,405,570	2,690,959
Professional and Outside Services	356,480	422,564
Office Operations	1,098,765	1,247,187
Office Expenses	1,844,553	2,154,567
TOTAL OPERATING EXPENSES	5,705,368	6,515,277
INCOME BEFORE DIVIDENDS	786,060	1,773,288
DISTRIBUTION OF EARNINGS		
Dividends and Interest	340,579	1,405,334
Net Income	445,481	367,954
TOTAL DISTRIBUTIONS	786,060	1,773,288

SCENIC COMMUNITY™

CREDIT UNION

VISIT US

MAIN OFFICE

4503 Hixson Pike
PO Box 1058
Hixson, TN 37343

SODDY-DAISY OFFICE

8821 Consolidated Drive
Soddy Daisy, TN 37379

E. BRAINERD OFFICE

8171 East Brainerd Road
Chattanooga, TN 37421

OOLTEWAH OFFICE

9227 Lee Highway
Ooltewah, TN 37363

ALL OFFICE HOURS

Monday - Friday 9:00am - 5:00pm
Saturday 9:00am - 1:00pm
Ooltewah Closed Saturday

CONTACT US

PHONE

(423) 875-6955

TOUCH TONE TELLER

(423) 875-4031

WEBSITE

www.MySCCU.com

Making Financial Peace Possible.



ACCOUNTS

Certificates
Checking
 Basic Share Draft
 Member Plus Share Draft
 Member Select™ Share Draft
Christmas Club
IRAs
Money Manager
Savings

ACCOUNT SERVICES

Cashiers Checks
Courtesy Pay Overdraft Protection
Direct Deposit
Contactless Debit Card
Member Select Line of Credit
Money Orders
Notary Service & Medallion Signature Guarantee
Payroll Deduction
Share-to-Share Transfer Overdraft Protection
VISA Everyday Spend Card (Reloadable Card)
VISA Classic, VISA Gold, & Children's Hospital
 Contactless Credit Cards
Wire Transfers

LOANS

Home Equity Lines of Credit
Mortgage Loans - Residential
Motorcycles - New and Used
Personal Loans
Personal Watercrafts - New and Used
Recreational Vehicles - New and Used
Unimproved Property Loans
Vehicle Loans - New and Used
VISA Credit Cards and Balance Transfers

ELECTRONIC SERVICES & ACCESS

Apple Pay, Google Pay, Samsung Pay, Android Pay
Bill Pay and Person-to-Person Transfers
Card Alerts and Account Alerts
eStatements
Online Banking, including External Transfers to other financial institutions
Loan & Savings Calculators
Mobile Banking App (iOS and Android)
Remote Deposit
Touch Tone Teller
Night Deposit
Fee-Free Withdrawals at CO-OP ATMs (over 30,000 locations nationwide)
CO-OP Shared Branch Network (over 5,400 Shared Branches nationwide)