



2020 | Annual Report

A Combined Message from the Chairman and the President

“THESE are the times that try men’s souls.”

Thomas Paine, “The American Crisis.” Published December 23, 1776.

Americans are amazingly resilient. We have thrived after many past challenges — pandemics, an invasion, fractured politics and wars, both domestic and overseas, always emerging more unified than ever before. We will again.

For DuTrac members during 2020, the credit union became a haven of safety to place their funds, an unbiased source of communication and a source of financial assistance as well as a conduit for both individuals and businesses to locate assistance. DuTrac remained consistent in communicating safety guidelines as suggested by the CDC or mandated by local and state governments, making the safety of members, staff and guests our single priority. DuTrac refitted public office spaces and closed down branches to physical access for a time, providing drive-thru and digital banking services to the membership with ongoing safety efforts for all concerned — and did so without a single layoff. It is a source of pride, “We’re better together,” the team at DuTrac states, as a result of the membership and staff working together to do just one thing very well: to serve DuTrac’s members safely, while fully meeting their financial needs, in the best possible way.

During the pandemic, DuTrac discussed and acted on options to better serve members. Although details were not complete until 2021, land was purchased, with construction now well underway, for a new branch office in the Middle Road area of Bettendorf, Iowa. This new, full service branch will include in-person retail services members have come to value from DuTrac as well as mortgage services, commercial lending, wealth management, drive-thru services and more. Watch for a grand opening during summer 2022.

For product and services delivery, in lockstep with the rapid adoption of digital technology during the pandemic, DuTrac’s implementation of new platforms for both PC Branch — its online banking tool, and MobileLink — its smartphone banking app, were welcomed as a success by members. Fitted with updated functionality, improved fingerprint and face recognition biometric security and an intuitive look and feel, the rollout of these enhanced services during the spring of 2021, has been a game changer for DuTrac’s members who have lauded the enhanced digital banking tools.

A quick highlight of the financials had DuTrac edging ever closer to the billion dollar mark. Net income, at first glance, may be viewed as having declined for the 2020 fiscal year. However, the one-time, 2019 sale of VISA stock resulting in bottom line increased earnings of \$5.2 million, distort the comparison between the two years. Please view the message from the CFO & Treasurer for more detailed information on DuTrac’s financials this past fiscal year.

DuTrac is grateful to have the confidence and loyalty of its members, without such, none of this past year’s, or any years’ results would have been possible. Now in 2021 and DuTrac’s 75th Anniversary year, we appreciate the many years of ongoing growth and success serving your financial needs. We share our sincere thanks and our gratitude to past and current members — along with empathy for those who have known loss and grieved this past year.

The pandemic year of 2020 will be one of those defining years in history. It has taught us to be prepared for most anything, to exhibit coordinated teamwork, share empathy and support for all neighbors and to embody faith and hope for a better tomorrow. So that together, united, we are stronger and better prepared for the future.

As Americans, it is these traits that will carry us through... onward and forward.

Sincerely,
David Eggers, Chairman
Andy Hawkinson, President and CEO



David Eggers
Chairman



Andrew Hawkinson
President and CEO



Your Board of Directors



David Eggers
Chairman



Daniel Deutmeyer
Vice Chairman



John Vail
CFO/Treasurer



Susan Kern
Secretary



Crenna Brumwell



Chad Kruse



Kevin Mueller



Scott Neyens



Harlan Pedretti



Michael Ready



Nicholas Specht

A Message from the CFO/Treasurer

Respectfully submitted by
John Vail

Financial highlights as of December 31, 2020:

- Total assets grew to \$897.8 million, an increase of \$141.8 million or 18.8% from total assets of \$756 million recognized as of December 31, 2019.
- Assets increased primarily from members choosing to place their funds in safe, secure and federally insured savings and certificates of deposit in a flight to safety from riskier uses of those funds.
- A review of the \$135.4 million and 20.9% increase in the combined shares and deposits balances from year-end 2020 and year-end 2019 confirms the flight to safety consumers made during 2020. Moving funds to traditional savings and deposit offerings of financial institutions was a common theme and occurred widely with financial institutions across the globe during the 2020 fiscal year due to the unknown economic impact the pandemic may have in both the long- and short-term U.S. and world economies.

In comparing net income recognized during fiscal years 2020 and 2019, the resulting gain of \$5.8 million recognized during 2019 from the one-time sale of Class B VISA stock should be backed out of 2019 net income. Doing so obtains a level playing field for a comparison of the earnings during the two fiscal periods.

DuTrac's net income increased \$.6 million from fiscal year 2019 to 2020, net of the gain on the sale of VISA stock, due to the following:

- Increased interest earnings on the loan portfolio of \$.94 million.
- A reduction in the cost of funds of \$.51 million, resulting in an increase in net interest income of \$1.5 million during the year ended 2020 versus the same period last year.
- Further, increased operating expenses, primarily in the areas of employee compensation and benefits as well as facilities expenses, increased \$.7 million for the fiscal year ended 2020 as compared to the fiscal period ending 2019. An extremely tight hiring environment with upward momentum in employee wages as well as the rising costs associated with providing employee benefits contributed to the increase costs. Further, expenses recognized with improving infrastructure of branches in addition

to interior improvements caused the facilities expense to increase. Hiring highly qualified employees and providing members service out of facilities that are functional, secure and attractive is in the members' ongoing best interest.

Net Worth:

DuTrac is proud to report that its net worth as of December 31, 2020 was 12.04% and \$108.2 million and 13.49% and \$102 million as of December 31, 2019, and is considered "well capitalized" by the National Credit Union Administration, DuTrac's federal regulator. As of December 31, 2020, DuTrac was in excess of the regulatory minimum of 7% by an additional 5.04%. DuTrac's net worth, in conjunction with strong total assets and net income, is indicative of the financial strength and security of your credit union.

Membership:

Consumers have always responded positively to DuTrac's broad spectrum of industry available depository, lending, and related other financial services. DuTrac's membership grew to 48,839 as of December 31, 2020 from 47,685 as of December 31, 2019, an increase of 1154 members.

Our Gratitude:

Simply put, without members, there isn't a DuTrac.

DuTrac extends its gratitude to each of you. We continue to be grateful to you on so many levels.

On behalf of the board of directors, management and employees, we extend our gratitude to you, the valued members that have made DuTrac's long tenure of nearly 75 years of financial strength possible.

Please let us know how we may best serve you, anytime.

Financial Status

ASSETS:	2020	2019	% Change
Loans	\$656,292,020	\$626,896,089	4.69%
Allowance for Loan Loss	-\$2,199,589	-\$2,260,780	-2.71%
Cash & Receivables	\$12,006,372	\$9,942,914	20.75%
Investments	\$200,416,213	\$90,548,811	121.34%
Other Assets	\$31,285,965	\$30,860,491	1.38%
TOTAL ASSETS:	\$897,800,981	\$755,987,525	18.76%
LIABILITIES & EQUITY:	2020	2019	% Change
Shares & Deposits	\$782,473,881	\$647,110,473	20.92%
Accounts Payable	\$2,237,996	\$4,414,015	-49.30%
Accrued Expenses	\$3,483,405	\$2,366,434	47.20%
Reserves & Undivided Earnings (Equity)	\$109,605,699	\$102,096,603	7.35%
TOTAL LIABILITIES & EQUITY:	\$897,800,981	\$755,987,525	18.76%
INCOME & EXPENSES:	2020	2019	% Change
Income from Loans	\$28,048,352	\$26,568,467	5.57%
Investment Income	\$1,619,913	\$2,155,239	-24.84%
Total Interest Income	\$29,668,265	\$28,723,706	3.29%
Total Cost of Funds	-\$6,454,634	-\$6,962,182	-7.29%
Net Interest Income	\$23,213,631	\$21,761,524	6.67%
Other Operating Income	\$7,007,922	\$12,898,999	-45.67%
NET INCOME BEFORE OPERATING EXPENSES:	\$30,221,553	\$34,660,523	-12.81%
OPERATING EXPENSES:	2020	2019	% Change
Compensation & Employee Benefits	\$10,961,389	\$10,123,392	8.28%
Association Dues	\$60,122	\$59,282	1.42%
Office Operations & Occupancy	\$5,454,681	\$4,972,149	9.70%
Advertising & Promotion	\$1,521,167	\$1,291,289	17.80%
Loan Servicing	\$2,448,785	\$2,436,732	0.49%
Professional & Outside Services	\$1,436,111	\$1,487,483	-3.45%
Provision for Loan Losses	\$1,125,200	\$1,070,000	5.16%
Miscellaneous Expenses	\$1,767,109	\$2,629,767	-32.80%
TOTAL OPERATING EXPENSES:	\$24,774,563	\$24,070,095	2.93%
NET INCOME FROM OPERATIONS:	\$5,446,990	\$10,590,428	-48.57%
Non-Operating Income & Expense	\$682,007	\$696,864	-2.13%
NET INCOME:	\$6,128,997	\$11,287,292	-45.70%
ASSETS	Fair Market Value	Book Value	
Cash or Short Term Investments	\$12,006,372	\$12,006,372	
Investments, Securities & CDs	\$200,712,589	\$200,416,213	
Member Loans	\$645,742,428	\$656,292,020	
LIABILITIES	Fair Market Value	Book Value	
Total Shares & Deposits	\$777,036,854	\$782,473,881	

DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS - Statement of Financial Accounting Standards No. 107, "Disclosures About the Fair Value of Financial Instruments," requires disclosures for fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and in many cases, could not be realized in immediate settlement of the instrument. Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Credit Union.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:

CASH AND SHORT-TERM INVESTMENTS - The carrying amount is a reasonable estimate of fair value.

CERTIFICATES OF DEPOSIT - The fair value of Certificates of Deposit (CDs) held for investment purposes is estimated by discounting the future cash flows using the rates currently offered for certificates with similar remaining maturities. Those with remaining maturities of less than one year are stated at carrying value, which approximates fair value.

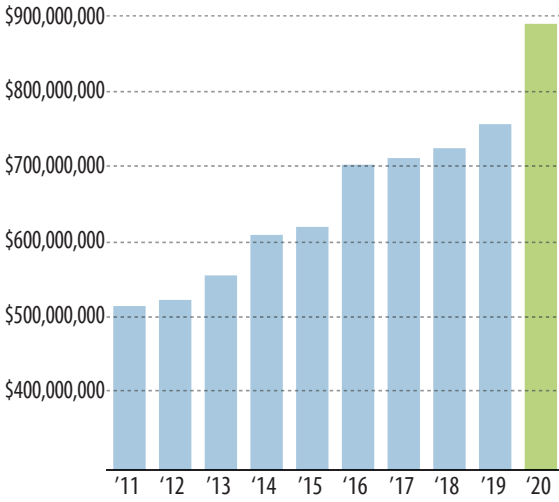
INVESTMENT SECURITIES - The fair value of investment securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

MEMBERS' LOANS - The fair value of each homogeneous type of loan is estimated by discounting the estimated future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

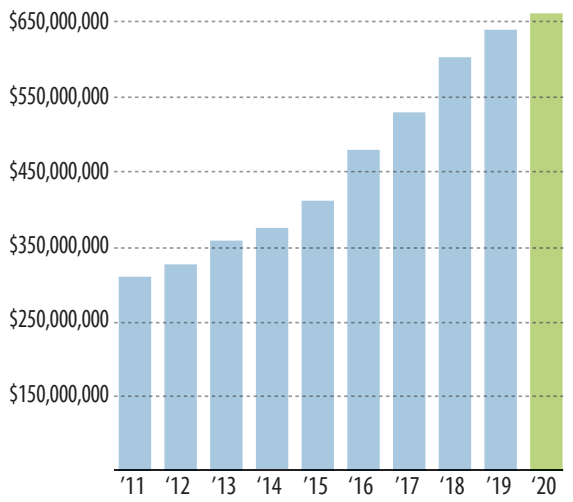
SAVINGS, CHECKING AND NON-CERTIFICATE OF DEPOSIT INDIVIDUAL RETIREMENT ACCOUNTS (Non-CD IRAs) - The fair value of savings accounts, share drafts and non-CD IRAs is the amount payable on demand at December 31, 2020.

MEMBERS' CERTIFICATES OF DEPOSIT AND FIXED MATURITY IRAs - The fair value of fixed maturity Certificates of Deposit and fixed maturity IRAs is estimated using the rate currently offered for deposits of similar remaining maturities.

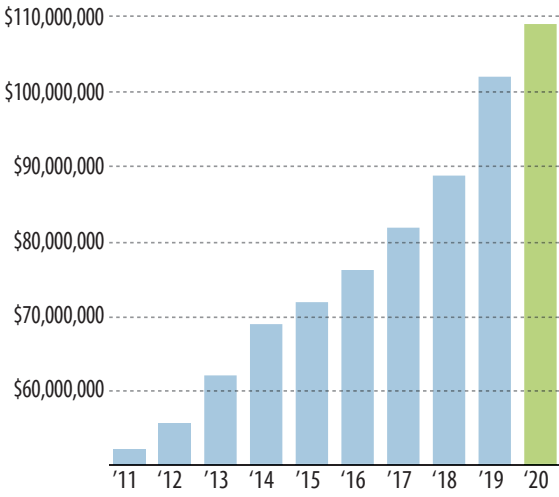
Total Assets



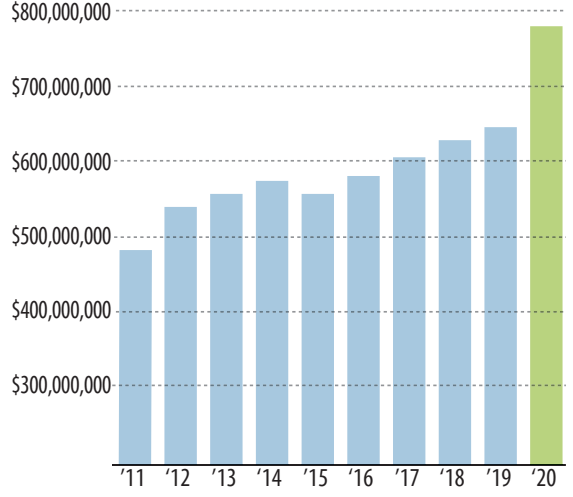
Total Loans



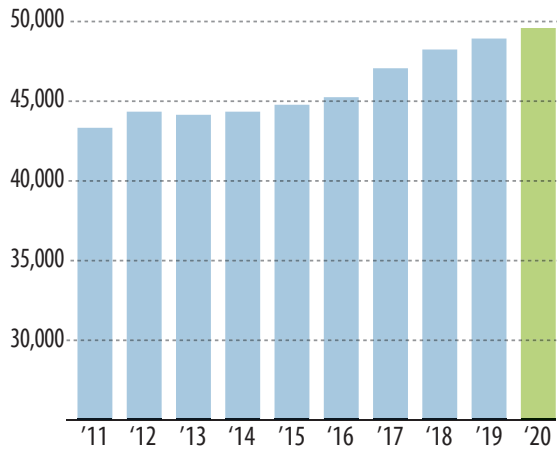
Total Equity



Total Deposits



Total Members



Graphs reflect years ending December 31
(Rounded to nearest thousand)



A Message from the Nominating Committee

Respectfully submitted by

Susan Kern, Chair; Crenna Brumwell, David Eggers, John Vail and Michael Ready (Associate Director Liaison)

Kevin Mueller, Harlan Pedretti and Michael Ready were each nominated and elected to one of three (3) open, three-year term Board seats during the 2020 Annual Meeting. The annual meeting was held virtually, due to the COVID-19 pandemic, via Zoom webinar platform. During the annual Board of Directors' reorganizational meeting the following officers were elected to a one-year term: David Eggers, chair; Daniel Deutmeyer, vice chair; John Vail, chief financial officer and treasurer; and, Susan Kern, secretary.

Board members appointed to the nominating, credit and audit committees may be found on the headers of each of the committee messages.

Members interested in serving on the Board of Directors were notified in the Spring '21 *Update* to submit their applications along with biographical information by April 30, 2021 to the Nominating Committee chair. As a result, nominations to open Board seats are closed and will not be accepted from the floor during the 2021 Annual Meeting.

Directors having terms expiring in conjunction with the 2021 Annual Meeting are Daniel Deutmeyer, Scott Neyens and Nicholas Specht. In

turn, after applications were reviewed and received, the following people were vetted by the Nominating Committee to stand for election by the membership to the DuTrac Board of Directors: Daniel Deutmeyer, Scott Neyens and Nicholas Specht. No additional applications were received. Bios of each nominee have been available on DuTrac.org for no less than 20 days before the annual meeting and for no more than 30 days before the annual meeting. Each nominee is running for one of three (3) open, three-year term Board seats.

An announcement of the members appointed to DuTrac's Election Committee appointments will occur during the 2021 Annual Meeting. Accordingly, the Election Committee chair will announce the results of the 2021 Annual Meeting elections.

Sincerely,

Susan Kern
Crenna Brumwell
David Eggers
John Vail
Michael Ready

A Message from the Audit Committee

Respectfully submitted by

Nicholas Specht, Chair; Crenna Brumwell, Scott Neyens and Michael Ready

Volunteers from the membership comprise the Audit Committee (Committee) tasked with ensuring the safety and soundness of DuTrac (Credit Union). The Committee fulfilled its responsibilities through:

- The engagement of an independent audit firm,
- The supervision of the internal audit function and,
- A review of the most recent examination and related matters conducted by the state credit union regulator, the Iowa Division of Credit Unions.

DuTrac's external auditors, the accounting firm of WIPFLi, LLP, performed an independent audit as of December 31, 2020. The resulting audit report issued to the DuTrac Board of Directors concludes the financial statements of the Credit Union accurately represent the financial position of DuTrac, and the results of its operations and cash flows and thereby indicate the general ledger, corresponding financial statements and records were found to be in compliance with generally accepted accounting principles (GAAP).

Supporting management's commitment to strong internal controls and accurate financial reporting, there were no compliance violations or materially significant deficiencies noted in the internal controls within the independent audit report, nor were any such noted during the financial audit itself.

The last regulatory exam was completed on October 2, 2020, with an effective "as of" date of June 30, 2020. The exam by the Iowa Division of Credit Unions found DuTrac's policies, practices and internal controls were to be in compliance with applicable state regulations and received high levels of satisfaction from the examiners. The results of the examination indicated that the Credit Union continues to be financially sound. The next exam is scheduled for November 29, 2021 – December 10, 2021.

DuTrac Community Credit Union continues to be well managed and is in a strong financial condition the Audit Committee is happy to report.

Sincerely,

Nicholas Specht
Crenna Brumwell
Scott Neyens
Michael Ready

A Message from the Credit Committee

Respectfully submitted by

***Harlan Pedretti, Chair; Daniel Deutmeyer, David Eggers, Kevin Mueller,
John Vail, Chad Kruse and Ron Kinsella (Sr. VP of Lending)***

The Credit Committee (Committee) consists of member/volunteers elected to the DuTrac Board of Directors. The Board appoints members to serve on the Credit Committee. Tasks of the Committee members include regularly reviewing and providing oversight to current lending and collection policies as well as procedures to ensure the ongoing safety and soundness of loan underwriting to meet the credit needs of the membership.

Members of the Committee, working in conjunction with the senior management team, strive to ensure DuTrac is the area's lending leader by providing members with tangible value during the lending process. Whether the value is in the form of offering some of the region's most competitive rates, finding ways to lower members' monthly loan payments or simply putting more money back in members' pockets — all of these efforts serve the credit needs of the membership.

With final effects from the pandemic unknown, members placed their excess and investible funds in the safety of federally insured savings and certificates of deposit accounts with DuTrac. As a result, and in addition to receipt of pandemic-related stimulus checks, DuTrac recognized share growth of \$135.4 million and 20.9% from December 31, 2019 to December 31, 2020.

In turn, these funds helped fund \$29.4 million and a 4.7% increase in loan volume DuTrac experienced during the 2020 fiscal period. The ending balance of DuTrac's total loan volume before allowance for loan losses was \$656.3 million. Of the remaining share growth not used to fund member loans, \$106 million was placed into marketable investments.

Biggest loan volume gains were recognized from \$19.1 million in added new and used indirect vehicle loans and \$16.6 million in new first mortgage loan closings. Near record low interest rates combined with an increase in many members' cash balances incited them to purchase larger ticket items during the year versus putting them off for some unknown future date.

DuTrac increased its provision for loan losses a very modest \$55.2 thousand or 5.16% to \$1.125 million for the year ended December 31, 2020. The fear of potential economic instability due to the reoccurrence of coronavirus, and its potential impact on borrowers, being the primary reason for the increase. The balance of \$1.1 million reflected in the provision for loan losses account for both fiscal periods, as well as the complementary allowance for loan losses account balance of \$2.2 million and \$2.3 million, as of December 31, 2020 and 2019, respectively, represent some of the lowest risk associated with a loan portfolio in the region. Both balances reflect DuTrac's ongoing commitment to manage various risk elements to a low level within the loan portfolio.

Overall, there were no interruptions in credit extended to members during the pandemic and any economic downturns recognized by members were, for the most part, mitigated with additional strong, risk free lending.

Regardless of current economic reality or the forecasted outlook, members may have confidence DuTrac will continue to have the credit products available to serve members' needs. On behalf of DuTrac's Credit Committee, we would like to thank you for allowing DuTrac the opportunity to serve you.

Sincerely,

Harlan Pedretti
Daniel Deutmeyer
David Eggers
Kevin Mueller
John Vail
Ron Kinsella

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