



Montana

CREDIT UNION

Guiding You Ahead

ANNUAL REPORT 2019



CHAIRMAN'S REPORT

At our last annual meeting in May of 2019, we stood before you filled with hope and excitement. Between our newly remodeled and expanded building at our 14th Street location and our fresh and exciting new branding, we were eager and ready to guide our members ahead to their best financial futures.

I don't believe any of us were prepared for the trials and tribulations of 2020. Our healthcare staff and facilities are stretched thin, local businesses are reeling from a stressed economy, and many of our members are worried about the health and safety of themselves and their loved ones.

However, your credit union is committed to being there to support you throughout this pandemic, and our staff is still eager and ready to help you navigate these trying times. Whether you are facing uncertainty of income, restructuring expenses, or just need a little help and advice to get by, we truly have the best of the best that stand at the ready to be there for you.

We have all been impacted by the pandemic in different ways, and as your local board of directors, we want you to know that we understand. Our credit union philosophy of people helping people has never been more evident than now. The board would like to thank the leadership of Montana Credit Union for how swiftly they have adjusted and adapted to serve our members in the safest way possible during this uncertain time. We know that all these changes require our members to be a little understanding, but please know that we have your, and the community's, best interests at heart.

I am honored to have served Montana Credit Union and our members as your Chairman of the Board for the past two and a half years. I know that Montanans are strong and resilient folk, and I am confident that we will all come out of this stronger than before. I am proud to be part of this organization that is guiding you ahead!

CHERYL PATTON
Chairman of the board

TREASURER'S REPORT

As Treasurer, I am pleased to report to the membership that Montana Credit Union continues to operate as a financially sound credit union. The Board of Directors and staff regularly review the credit union's policies and procedures to ensure safe and sound financial practices. In addition, the Board also reviews the financial status of the credit union on a monthly basis, and works closely with management to develop and approve long-range funding strategies, an annual budget and overall growth strategy. In 2019, we saw deposit growth of \$2.7 million and loan growth of \$15 million. This growth pattern is steady and measured, and is key to our continued success.

The auditing firm of Anderson ZurMuehlen & Co completed our annual audit for fiscal year end 2019 and affirmed that the financial statements of your credit union were presented fairly in all aspects. In addition to the annual independent audit, the credit union conducts ongoing monthly internal reviews of financial statements to ensure consistency and compliance with credit union policies and procedures. I would like to thank management and staff for their accurate and thorough preparation of the monthly financial statements. Their diligence and attention to detail greatly helps the Board's oversight process.

MARK NASH
Treasurer

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is appointed by the Board of Directors and is responsible for the oversight of management's use of sound accounting and financial reporting processes in accordance with generally accepted accounting principles. The Supervisory Committee meets quarterly to review and discuss auditing and accounting matters relating to Montana Credit Union. In addition to myself, the Supervisory Committee includes Judy Schroeder and Terry Kangas.

The Supervisory Committee retained the audit services of Anderson ZurMuehlen & Co to perform an independent audit on the Credit Union's 2019 financial statements. MCU once again received an unmodified opinion on its 2019 financial statements. Steven Halsted serves as our Internal Auditor/Compliance Specialist at the credit union. Steven performs daily audit procedures and related inspections, and provides the Supervisory Committee a monthly report that outlines his procedures and findings. Additionally, the Supervisory Committee investigates member questions and inquiries not resolved to satisfaction. As always, please contact any of the Supervisory Committee members if you have questions regarding your account or other matters concerning Montana Credit Union.

PAUL DOCKTER
Supervisory Committee

PRESIDENT'S REPORT

The Greek philosopher Heraclitus is best known for his quote stating “The only constant in life is change.” If only Heraclitus could have known the speed at which life changes in our modern 21st century world...especially in the midst of a pandemic. Our members and our staff have been so gracious as we change our typical ways of doing business to keep us all safe during this uncertain time, and for that I would like to thank you all.

Serving our members on the phone, online, and through our available technology as much as possible has allowed us to think about how things can be done differently. In all reality, we hope this makes it even more convenient for you to do your business with us.

With the ease of products like DocuSign, we can securely email documents to you for signatures, with no need for you to make a trip to the branch. Our PTMs at our 14th Street and Smelter Avenue offices offer flexibility so that you can deposit cash and checks to your accounts when it's convenient for you, even if its outside of our business hours. And our new texting capability has made it so very efficient for you to simply text us to schedule an in-branch appointment should you need it, or quickly answer any questions you may have.

As we continue to find ways to adapt to changes brought on by the pandemic, we also continue to research other products and services that we could adopt to better serve you in the future. One such idea could be implementing a video chat function, so you could meet with one of our lenders in Great Falls virtually “face to face.” You'd still have the same contact with our staff that you have grown to trust, without the need to schedule time and make trips to the branch. This is the time for “out of the box” thinking, with all decisions being made with the best interests of our members a priority.

Throughout all of the change and the uncertainty COVID-19 has brought to us, our most sincere hope is to keep our staff and our members safe and healthy. As an essential business, we are committed to doing our part to ensure we can handle your financial needs. For now, that means wearing masks in our offices, stressing hand washing and good hygiene habits, and asking our employees to be safe and make smart decisions outside of work hours. Should you need to schedule an appointment to see us, we are here to help but we ask that you help us maintain a healthy environment for all staff and members. I do believe that seasons of change such as this will make us stronger – as citizens, as a community, and as a whole.

We appreciate your business, and the trust you place in Montana Credit Union.

STEVEN E. KING
President/CEO

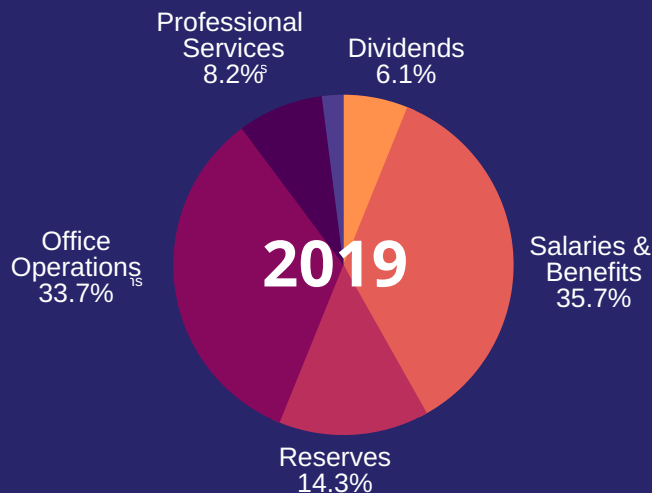
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FINANCIAL STATEMENT

COMPARATIVE INCOME & EXPENSES FOR THE YEAR ENDED DECEMBER 31

DISTRIBUTION OF GROSS EARNINGS 2019



Income	2019	2018
Interest on Loans	\$ 6,671,195	\$ 5,644,396
Investment Income	\$ 1,206,481	\$ 1,277,739
Other Income	\$ 3,673,717	\$ 4,158,869
Gross Income	\$ 11,551,392	\$ 11,081,004

Expenses	2019	2018
Compensation and Benefits	\$ 4,093,498	\$ 3,767,806
Travel and Conference	\$ 159,474	\$ 110,832
Office Occupancy	\$ 340,826	\$ 350,630
Office Operations	\$ 1,883,526	\$ 1,462,718
Education and Promotion	\$ 485,194	\$ 423,200
Loan Servicing Expenses	\$ 776,650	\$ 800,513
Professional and Outside Services	\$ 950,194	\$ 839,501
Member Insurance	\$ 0	\$ 0
Exam/Supervisory Fees	\$ 65,916	\$ 62,712
Misc. Operating Expenses	\$ 152,382	\$ 134,004
Total Expenses	\$ 8,907,661	\$ 7,951,916
Allowance for Loan Loss	\$ 265,000	\$ 220,000
Gain from Operations	\$ 2,378,731	\$ 2,909,088

Earnings Distribution	2019	2018
Dividends	\$ 732,932	\$ 593,293
Net Income	\$ 1,645,799	\$ 2,315,795
Total Earnings	\$ 2,378,731	\$ 2,909,088

COMPARATIVE STATEMENT OF CONDITION FOR THE YEAR ENDED DECEMBER 31

ASSETS	2019	2018
Loans to Members (Net)	\$ 162,006,489	\$ 146,904,792
Cash on Hand	\$ 3,273,822	\$ 1,662,478
Cash Deposits	\$ 14,884,815	\$ 25,667,808
Investments	\$ 39,799,259	\$ 48,728,013
Land & building	\$ 9,406,580	\$ 4,051,918
Furniture, Fixtures, & Equipment	\$ 1,480,455	\$ 178,648
Accrued Income	\$ 504,426	\$ 499,566
Share Insurance Reserve	\$ 2,051,819	\$ 2,032,511
Other Assets	\$ 11,013,949	\$ 10,721,321
Total Assets	\$ 244,421,614	\$ 240,447,055

Liabilities	2019	2018
Borrowings	\$ 0	\$ 0
Other Liabilities	\$ 1,180,444	\$ 1,560,721
Total Liabilities	\$ 1,180,444	\$ 1,560,721

Equity	2019	2018
Share Drafts	\$ 43,373,782	\$ 41,025,392
Regular Shares	\$ 97,240,336	\$ 93,063,426
Money Market Shares	\$ 42,824,520	\$ 49,915,720
Certificates	\$ 21,060,669	\$ 18,129,567
IRA's	\$ 11,107,423	\$ 10,803,871
All Other Shares	\$ 414,060	\$ 337,108
Reserves	\$ 2,450,338	\$ 2,450,338
Undivided Earnings	\$ 24,770,042	\$ 23,160,912
Total Liabilities/Equity	\$ 244,421,614	\$ 240,447,055

DISTRIBUTION OF GROSS EARNINGS 2018

