

# 2018 Annual Report: Board of Directors Report

Cooperative Federal



Presented March 31, 2019 by Frank Cetera, President of the Board of Directors

Heraclitus of Ephesus, Greece, in the 6th century BC, established the doctrine of change being central to the universe as part of his *logos* philosophy. This concept is most commonly understood nowadays as “the only constant in life is change,” and mirrors our credit union’s adoption of the motto “We build the road as we travel” as part of our mission. This phrase was originally interpreted from the poetry of Antonio Machado as “The road is made as you walk it” (*Se hace camino al andar*) and was popularized for the cooperative movement by José María Arizmendiarieta, founder of the famous Mondragon Cooperative Society Founder in the Basque Region of Spain.

This preface leads us to a monumental upcoming event: succession of our founding CEO, Ron Ehrenreich, whose 37 years of leadership have been the bedrock of Cooperative Federal’s success, and of the path that we have built here in Syracuse. His vision, tenacity, and heartfelt commitment to solidarity have been a priceless gift to our credit union and our entire community. This next year will be marked with opportunities for celebration, remembrance, and appreciations as Ron steps down from his CEO role to other continued service with our credit union, and a new CEO and organizational structure continues the growing and sustainability of our mission.

## BOARD AND COMMITTEE ACTIVITIES

- The **Personnel Committee** is currently operating as a committee of the whole as we implement the CEO succession plan. Once that happens, the personnel committee will continue to work on succession planning by developing a new Board of Directors succession plan to facilitate increased diversity and member participation, and to develop internal succession strategies for staff development and organizational structure.
- The **Budget Committee** meets regularly to reconcile and review financial results and assumptions for ongoing management needs, and to establish the annual budget proposal.
- The **Nitpickers Committee** meets regularly to review financial statements and accounting reports in detail, Allowance for Loan Loss (ALL), cash drawer shorts and overages, and negative share accounts.
- The **Supervisory Committee\*** monitors financial operations and accounting controls. The annual CPA audit and report overseen by this committee indicated that the financial statements were presented clean and fairly in all aspects.
- The **Executive Committee** provides oversight and action between Board meetings, including regularly approving charge-off of loans, and bonding for employees, interns, and volunteers.
- The **Board Development Committee** works on considering further education and training opportunities for current Board members and initiating the nominations slate for election at our annual meeting.
- The **Social Action Committee** delivers education, awareness, activism, and energy to inspire our credit union community to action on global and local issues while promoting our cooperative

principles. This committee was fairly inactive in 2018, but we hope to change that once energies can be redirected in 2019.

\*A detailed report from the Supervisory Committee is also included in the Annual Meeting Packet.

## **ECONOMIC CHALLENGES AND SUCCESSES**

Aside from the upcoming CEO transition, we have a number of long-time staff positions that will be turning over in 2019 or that already took place in 2018, including key positions in our loan department. We fondly remember Greg Knipe, our Lending Manager for nearly 20 years, who passed away last summer; and we wish a joyful retirement to Susan Hamilton, our Mortgage Officer for the past dozen years (and former board member), who retired in March 2019. Greg and Susan were instrumental to our growth and impact since the early 2000s, and we are grateful for their service. Meanwhile, we welcomed some new faces to the loan department in 2018: John Catera, Business Loan Officer; Claudia Demmler, Mortgage Loan Officer and First Home Club Manager; and Chelsea Colón, who was promoted internally to the new role of Lending Administrator.

However, in the process of restructuring the loan department, Cooperative Federal's management uncovered a number of faulty procedures and errors that led to an influx in loan losses. Those losses took a toll on our earnings and resulted in our briefly slipping below the "well capitalized" 7% Net Worth Ratio, which is the balance of our capital to assets, as regulated by the National Credit Union Association (NCUA). Our net worth is defined as earnings from current and previous periods (as a percent of total assets) set aside to absorb operational losses. We ended 2018 "adequately capitalized" (per NCUA's definition) at 6.53%, and then rebounded some in January back to 6.86%.

Our goal is to continue overseeing the growth of our loan portfolio and lending team as we focus on a continued increase of members and capital that is balanced by an increase in loans disbursed and resulting interest income. These offerings include a full menu of what our members need including mortgage and personal loans; small and micro business loans – please visit our online business loan portal, [BusinessLoanConnection.org](http://BusinessLoanConnection.org), to explore financing for the expansion of operations and strengthening of position of a current business, or for the start-up of a new business – and auto loans, including our no-haggle guarantee with Enterprise Care Sales for high quality, late model, gently used, former fleet vehicles. Members can do their part by sharing our lending offerings via word of mouth and on social media.

## **MOVING FORWARD**

We continued to take initiative with new opportunities, and are always excited to make sure our members are aware of these exciting developments including:

- Becoming a founding member of the **Reinvestment Alliance**, a non-profit entity that is educating and mobilizing the community to integrate sustainability and social justice principles into financial decisions and systems. The Alliance's first project, *Reinvest CNY*, called on community members to divest, reinvest, and engage their financial assets to have a positive social impact in Syracuse and beyond. During the first four months of this campaign,

Cooperative Federal received \$33,543 in balance transfers (from loans, savings, and credit balances) from people moving their money, and had interactions with hundreds of additional interested potential members.

- Formation of the **Business Opportunity Loan Committee** to oversee loan recommendations under the “character-based” Business Opportunity Fund, supported by the Onondaga County Alliance for Economic Inclusion, and three other special business loan funds. This new committee includes representatives from the South Side Innovation Center, Centerstate CEO, Empire State Development, Operation Oswego County, Onondaga County, the City of Syracuse, and community entrepreneurs.
- Partnership with the **Syracuse Financial Empowerment Center**, a new program led by the City of Syracuse Office of Neighborhood & Business Development and Home Headquarters in collaboration with several local agencies. This multi-site project will have co-location points at Cooperative Federal’s South Ave and Burt Street Offices, among others, where Syracuse city residents will be offered professional, one-on-one financial counseling services at no-cost to enable residents to address their financial challenges and needs as well as plan for their futures.

A continuing thank you to our members for your patronage and participation as we serve our mission-oriented approach to community finance. Members are encouraged to send communications directly to the Board distribution email address: [board@coopfed.org](mailto:board@coopfed.org)

*“Wanderer, your footsteps are the road, and nothing more; wanderer, there is no road, the road is made by walking. By walking one makes the road, and upon glancing behind one sees the path that never will be trod again. Wanderer, there is no road, only wakes upon the sea.”*

*“Caminante, son tus huellas el camino, y nada más; caminante, no hay camino, se hace camino al andar. Al andar se hace camino, y al volver la vista atrás se ve la senda que nunca se ha de volver a pisar. Caminante, no hay camino, sino estelas en la mar.”*

— Antonio Machado, Campos de Castilla