



Dover Federal
CREDIT UNION
LOCAL PEOPLE • LOCAL DECISIONS

2019

ANNUAL REPORT

HELPING MEMBERS GET THERE SINCE 1958



TAYLOR
DOVER



"I feel I get more here at Dover Federal Credit Union than at other financial institutions."

GLENN
MIDDLETOWN



"At big banks you're just a number, but at Dover FCU everybody knows me and I know they're going to take care of me."

COREY
WYOMING



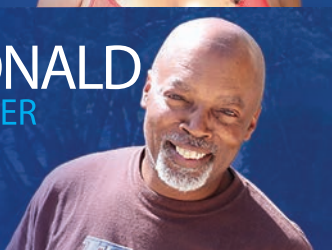
"I always have a pleasant experience at Dover FCU. The service they provide keeps me coming back."

LISA
DOVER



"Dover Federal is awesome. I have a Kasasa account and I love seeing the extra interest."

RONALD
DOVER

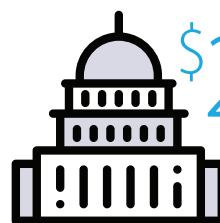


"Dover Federal is the best banking institution in Delaware and I really mean that."

#2019 BY THE NUMBERS



GOVERNMENT SHUTDOWN RELIEF



\$28,461.92 In Shutdown Relief Loans
15 Loans Given

CHARITY CONTRIBUTIONS

\$22,754
Total Contributions

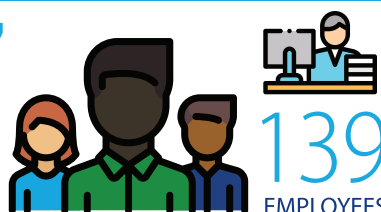


- USO
- C.E.R.T.S.
- Food Bank of DE
- NAMI
- First State SPCA
- B+ Foundation
- Green Beret Project
- Down Syndrome Assoc. of Delaware
- atTack Addiction
- Autism Delaware
- Habitat for Humanity
- Boys and Girls Club

41,737

MEMBER OWNERS

139
EMPLOYEES



SCHOLARSHIPS

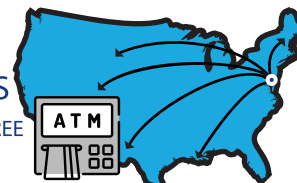


\$6,000

7 BRANCH LOCATIONS

55,000 FEE-FREE ATMS

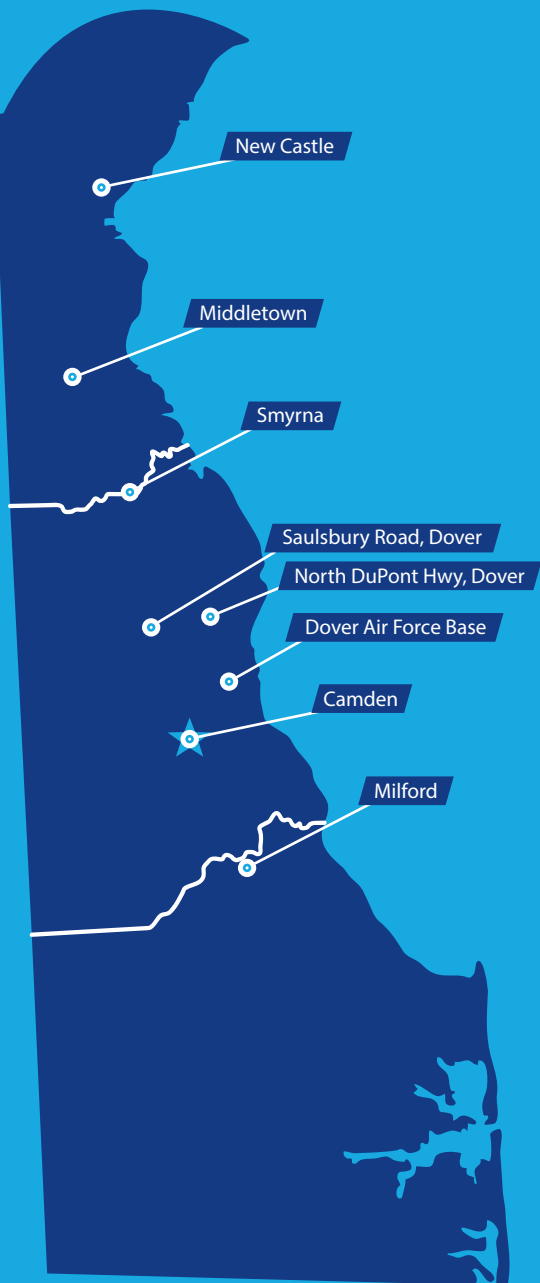
\$485,241,083 ASSET SIZE



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OUR BRANCH LOCATIONS



CAMDEN IS NOW OPEN!



2020 Meeting Agenda

- | | |
|--|---|
| I. Call To Order | IX. Report of Directors |
| II. Pledge of Allegiance | X. Report of the President |
| III. Introductions | XI. Report of the Supervisory Committee |
| IV. Recording Secretary Appointment | XII. Unfinished Business |
| V. Parliamentarian Appointment | XIII. New Business |
| VI. Ascertainment that a Quorum is Present | XIV. Report of the Board Governance Committee |
| VII. Motion Announcement | XV. Adjournment |
| VIII. Minutes of the 2019 Annual Meeting | |

2019 Meeting Minutes

- Minutes of the 61st Annual Membership Meeting held on March 19, 2019, at Modern Maturity Center, Dover, DE.
- Jeannette Schuler, Chair, welcomed all credit union members present to our 61st Annual Membership Meeting of Dover Federal Credit Union.
- The meeting was called to order by Jeannette Schuler, Chair of the Board, at 6:01 p.m., on Tuesday, March 19, 2019.
- The Pledge of Allegiance was led by the Chair, Jeannette Schuler.
- Jeannette Schuler introduced those seated at the head table.
- The Chair appointed Lonnie Dye to be the Recording Secretary.
- The Chair appointed our Staff Attorney, Myfanwy Bonilla, as the Parliamentarian for this year's meeting.
- The Secretary, Lonnie Dye, reported that a quorum was present. 15 members constitute a quorum. 107 Members were present.
- The chair announced a consideration of a motion to suspend the rules and to approve the minutes of the last annual meeting without reading. A motion to approve the minutes without reading was made by John Van Tine, seconded by Fred Adams. Motion carried.
- Report of the Directors was made by Chair of the Board, Jeannette Schuler.
- Report of the President was made by Chaz Rzewnicki.
- Supervisory Committee report was presented by Mark Heck.
- Tammy Ordway, Chair of the Board Governance Committee, reported the following members have been nominated by the Board Governance Committee to serve on the Board of Directors:

Lonnie Dye, Michelle Mack-Williams, Cory Thomas, Dayna Cobb
- Jeannette Schuler declared the business meeting adjourned at 6:23 p.m.

Member Testimonials



“ I like the feeling of dealing with everyone at DFCU. They all jump through hoops to get what I need done. ”

- Brian



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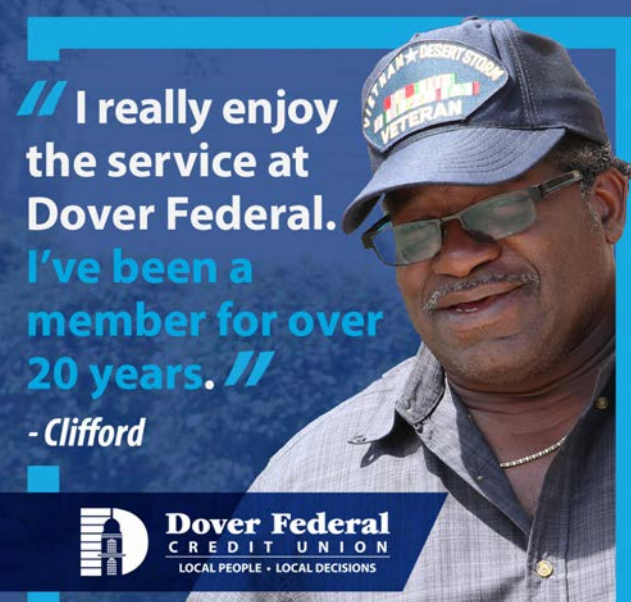


“ I like how Dover FCU is community based. Every site is welcoming and the tellers are always friendly. ”

- Shavaun



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“ I really enjoy the service at Dover Federal. I've been a member for over 20 years. ”

- Clifford



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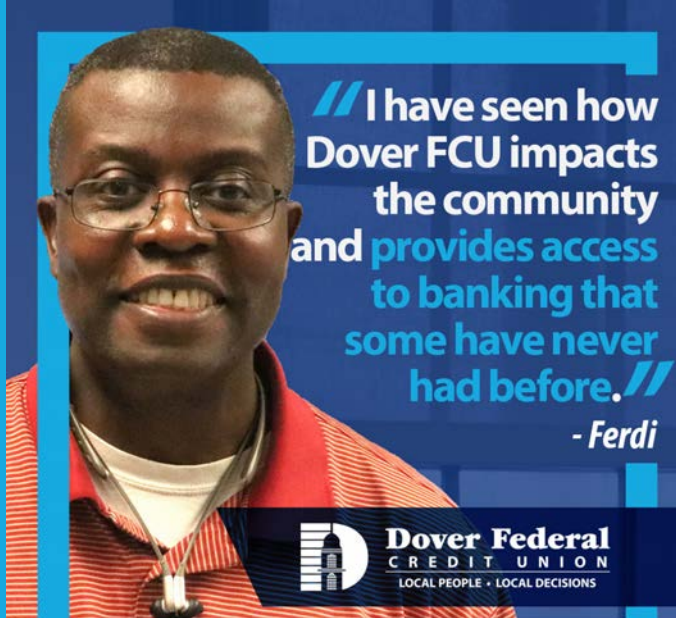


“ My experience with Dover Federal is great. I've been a member since the beginning. ”

- Loretta



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“ I have seen how Dover FCU impacts the community and provides access to banking that some have never had before. ”

- Ferdi



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“ If it was any better, we wouldn't be able to handle it. ”

- Jim



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Chair's Report

Apparently, I was premature in my report last year and am once again providing the Chair's report for the 2020 Dover Federal Credit Union Annual Meeting. I was given the extreme privilege of being re-elected Chair of the Board for another year; and what a year it has been! It is my honor to have led the Board of Dover Federal Credit Union for the last four years with extraordinary progress and achievements each year.



We had a very profitable year in 2019 and continued to progress objectives exceeding timelines and expectations on many fronts. The core conversion laid the foundation and has proven its worth and enabled the accelerated progress. That progress cannot just be credited to better infrastructure and technology; the entire DFCU team is dedicated to serve our members and continue to improve services and products with astounding progress over the last few years.

Our long-awaited Camden branch broke ground last year and will celebrate its official grand opening in May. The team had the courage and fortitude to embark on an online banking and billpay conversion in January 2020. These conversions so soon after the core conversion of January 2018 are major endeavors requiring extreme planning preparation and contingencies. Unlike the core conversion for which our members don't see the direct benefit as the core is evident to employees, online banking, remote deposit capture and billpay are directly seen and the benefits immediately evident to members. A chat is now available as an additional channel to communicate with DFCU. Surveys reflected dissatisfaction with having to pay a fee to pay loans so the free ACH payment method was implemented. We are converting to a single Mastercard credit card provider with enhanced benefits to be realized by you, our members later this year. These are just a few of the initiatives not even touching on ATM replacement and disaster recovery.

Our team is also representing you with the increasing issue of data breaches and fraud. The latest example is with Wawa. At a substantial cost, DFCU has re-issued cards to protect our members and prevent fraud from Wawa's data breach. We are also increasing our voices with our local representatives and speaking out at conventions and governmental events to continue to apply pressure to lawmakers to change the laws and hold merchants accountable for data security breaches. Join us and let your voice be heard by calling and/or writing your representatives!

The DFCU team is also active in our communities across Delaware. It is great to be recognized in the last year by Appoquinimink School District, Boys and Girls Club, Central Delaware Chamber of Commerce, Dover PAL, Habitat for Humanity, and Special Olympics. And to win the following awards: Central Delaware Chamber of Commerce Outstanding Partnership Award 2019, Central DE Habitat for Humanity Sponsor of the Year 2018/2019, CULAC Circle of Excellence 2018 Top State Fundraiser, Delaware's Best Credit Union by Readers Choice and First State Favorite. You don't only see team members if you come into a branch but can see us with involvement at various events throughout the state.

Economics will always be an issue. Last year the inverted yield curve foretold a potential recession. This year the market has taken a beating with the economic fallout from the Coronavirus. The Treasury hit new lows with the 10 year at 1.127% as of the end of February. Again rest assured, whatever the economic environment, Dover Federal Credit Union will remain stable and is protecting your interests. Dover Federal Credit Union is working hard to make it easy to do business with us and to take you there; wherever there may be!

Respectfully,

A handwritten signature in cursive script, reading "Jeannette Schuler".

Jeannette Schuler, Board Chair



Governance Committee

The Governance Committee consisting of Russell McCready, Mark Heck, Paul Hyland and myself had many fine applicants this year to pick from. We have searched for the best possible candidates to serve on Dover Federal's Board of Directors. We have had two associate directors in training and are proud to be moving them up to serve as directors – they are Cory Thomas and Dayna Cobb. Returning Board members are Lonnie Dye and Michelle Mack-Williams. We have three new Associate Directors Holly Conley, Kim Warfield-Walker and Ronald Kosinski.

The Credit Union environment is continually changing with new regulations, new technology, and just better ways to help our members. We look forward to working with our fine new Board of Directors.

In your service,



Kathy Adams, Chair

Board of Directors

The elected Board of Directors represent all credit union members to maintain fiscal safety and soundness, set strategic direction, ensure regulatory compliance, hire the CEO, establish CEO goals and objectives, and oversee CEO performance.

CHAIR

Jeannette Schuler

SECRETARY

Lonnie Dye

ASSOCIATE DIRECTORS

Cory Thomas
Dayna Cobb

VICE CHAIR

Mark Heck

DIRECTORS

Kathleen Adams
Russell McCready
Michelle Mack-Williams
Bonnie Yeomans
David Walczak

TREASURER

Paul Hyland



President's Report



Dear Membership,

2019 was year filled with change in the ever-evolving world of financial services. Dover Federal Credit Union continued to strengthen our core, build out our product suite, improve our technology and plan for our future. In addition, Dover Federal continued to invest in areas that are of great importance to us; our employees, our community, financial literacy and legendary service! As we navigate into the future, I truly thank you for your support and membership in our cooperative.

Although 2019 presented many challenges and a changing economic landscape, we were able to make adjustments that ultimately led to a successful year. In the end Net Worth remained strong at 8.29% or \$40,241,083, well above the National Credit Union Administration's 7% threshold to be recognized as a well-capitalized credit union. Assets ended the year at \$485,241,083 with total deposits of \$442,478,435. In total, 41,737 member were part of the Dover Federal family as of December 31, 2019. Net Income met expectations and budget at \$1,624,317. Dover Federal Credit Union remains a financially sound institution with a deep commitment to safeguarding members' assets, ensuring future viability and most importantly improving the member experience.

In 2019, your credit union:

- Was awarded the following...
 - 2019 Central Delaware Chamber of Commerce Partner of the Year
 - 2019 First State Favorite – Dover, Smyrna & Middletown
 - 2019 Readers Choice Award
 - 2019 Habitat for Humanity Sponsor of the Year
 - 2019 Credit Union Legislative Action Council – Top State Fundraiser
- Camden Branch – After several years of anticipation DFCU broke ground on our new Camden branch.
- Underwent multiple changes to enhance our product and/or service offerings including the following:
 - **Checking Account** – Rolled out Kasassa rewards-based checking accounts which offer some of the most competitive features of any checking account on the market.
 - **Mortgages** – Purchased an ownership interest in Member First Mortgage which changes the game for our ability to offer competitive mortgage solutions.
 - **Home Banking/Bill Payment** – Underwent a comprehensive search and selection process for a new home banking/bill pay partner.
 - **Credit Cards** – Underwent a comprehensive search and selection process for a new cards partner. This initiative is resulting in major cost savings and the ability for DFCU to offer a "rewards" credit card in 2020.
- Expanded our operating hours on the phones and in branch locations.

As we move swiftly into the future, Dover Federal Credit Union remains committed to making the hard changes that are necessary to remain viable for another 60 years. Change is not easy so we truly appreciate you as this necessary change is navigated. We will continue to focus resources on improving the experiences you have with us. Thank you for your support of Dover Federal Credit Union. We remain committed to helping you get there, wherever that may be!

Truly Yours,

A stylized handwritten signature in black ink.

Chaz M. Rzewnicki
President/CEO

Executive Team

Chaz Rzewnicki
President/CEO



Chaz Rzewnicki began his credit union career at age 16, through his high school co-op program. By the age of 19, he was promoted to the position of Assistant Branch Manager and has continued to evolve as a strategic and demonstrated successful credit union leader. As CEO, he will continue to influence the future growth of Dover Federal, prepare for the evolution of the financial industry as well as continually seek to improve our members' experience.

Travis Frey
Chief Innovation Officer



Travis Frey is instrumental in leveraging the right technology solutions to improve the member experience, while reducing operating expenses and delivering solutions that align and enable strategic growth and efficiency. His passion and commitment to members are reflective in his dedication to leverage technology that allows the member to have more secure control in a digital environment, while incorporating the personal element, in order to empower the member experience and the Credit Union Staff.

Frey serves on the Joint Economic Task Force for the Milford Chamber of Commerce and volunteers time whenever possible in the Milford and Dover areas.

Donna Kiscaden
Chief Financial/Risk Officer



Donna Kiscaden has more than 30 years of experience in the financial services industry. Donna is instrumental in leveraging the financial platform to successfully manage efficiencies to reduce costs and increase earnings to leverage Dover Federal's assets. Donna also assumes the responsibility of fraud and compliance to reduce risk to our members and the Credit Union. Her passion and commitment to the community are reflected in the time she donates to help various organizations. Donna has served as treasurer for Central Delaware Habitat for Humanity for the past two years and was recently appointed president.

Supervisory Committee

The Supervisory Committee's primary function is to ensure financial soundness and stability in order to safeguard our members' assets.

This is accomplished through ongoing reviews and audits to ensure that records are maintained properly, honestly and accurately and to verify adherence to policies established by law and by the Dover Federal Credit Union (DFCU) Board of Directors. The Committee meets on a monthly basis to review and discuss internal controls as well as auditing matters. We also serve as a direct resource for reviewing and resolving member complaints that cannot be resolved through normal channels. To assist in accomplishing our goals and objectives, the Supervisory Committee engages the services of an audit company. It is the role of the audit company to conduct reviews and issue reports by performing agreed upon procedures which are approved by the Committee and conducted in accordance with the attestations and standards established by the American Institute of Certified Public Accountants. For 2019, RKL LLP conducted this review and the Committee is pleased to report that no major findings were reported. The Supervisory Committee also engaged RKL LLP to audit and express an opinion on DFCU's financial statements. The firm has reported that in their opinion, the financial statements of DFCU for the year ending December 31, 2019, presented fairly, in all material respects, the results of its operations and cash flows for the period in conformity with accounting principles generally accepted in the United States of America.

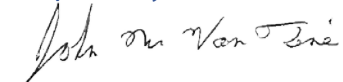
DFCU also has an Internal Audit department to ensure daily functions are in compliance with policies and internal controls. Internal Audit provides information, objective analyses, independent appraisals, and recommendations concerning activities reviewed to promote effective internal controls and operational cost savings.

Additionally, DFCU is regulated and examined periodically by the National Credit Union Administration. This examination includes a review of the financial condition, quality of management, risk exposure and areas of regulatory compliance.

The Supervisory Committee is confident that DFCU is a financially sound, well-managed institution and that our members assets are effectively safeguarded.

We will continue to make every effort to further enhance our oversight of DFCU operations to ensure that the best interests of all members are served.

Respectfully submitted,



John Van Tine, Chair

Rachel Bowden

Chavon Dottin

Denise Freeman

Mark Heck

Charitable Foundations



Dover Federal Credit Union believes in the philosophy of **"People Helping People."** We are committed to giving back to the communities we serve. Throughout the year, Dover Federal raises funds and awareness for charities in need. Below are our initiatives for the 2020 calendar year.

JANUARY

Nemours Children's Hospital

FEBUARY

Attack Addiction

MARCH

Down Syndrome Association
of Delaware

APRIL

Autism Delaware

MAY

Central DE Habitat for Humanity

JUNE

First State Animal Center-SPCA

JULY

Rise Against Hunger

Credit Union Legislative Action
Council (CULAC)

AUGUST

Read Aloud Delaware

SEPTEMBER

Boys and Girls Club of Delaware

OCTOBER

Green Beret Project

NOVEMBER

USO

DECEMBER

Dover Interfaith Mission

Condensed Balance Sheet

Assets

	December 31	
	2019	2018
Loans to Members	339,816,583	293,809,439
Less Allowance for Loan Losses	(3,479,828)	(4,864,586)
Net Loans to Members	\$336,336,755	\$288,944,853
Cash on-Hand and in Banks	20,345,692	17,439,482
Cash Equivalents	30,225,314	17,946,953
Total Cash and Cash Equivalents	\$50,571,006	\$35,386,435
Securities Available for Sale	60,672,217	96,417,941
Federal Home Loan Bank Stock (FHLB)	900,218	879,036
National Credit Union Share Insurance Fund Deposit	4,141,085	4,096,937
Accrued Interest Receivable	1,230,841	1,112,517
Property and Equipment, Net	20,176,292	20,217,615
Prepaid Expenses and Other Assets	11,212,669	5,593,389
Total Assets	\$485,241,083	\$452,648,723

Liabilities and Members' Equity

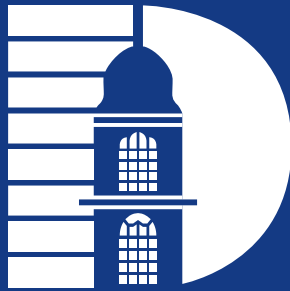
	December 31	
	2019	2018
LIABILITIES		
Members' Shares and Savings Accounts	442,478,435	414,773,945
Accrued Expenses and Other Liabilities	2,306,323	653,989
Total Liabilities	\$444,784,758	\$415,427,934
MEMBERS' EQUITY		
Regular Reserve	4,509,022	4,509,022
Appropriated Undivided Earnings	10,673,944	10,673,944
Unappropriated Undivided Earnings	25,047,397	23,423,081
Accumulated Other Comprehensive Income (Loss)	225,962	(1,385,258)
Total Members' Equity	\$40,456,325	\$37,220,789
Total Liabilities and Members' Equity	\$485,241,083	\$452,648,723

These condensed financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of cash flows and changes in members' equity, and notes to the financial statements, are available at the Credit Union office during normal hours of operation.

Condensed Statement of Income

	December 31			December 31	
	2019	2018		2019	2018
INTEREST INCOME			NON-INTEREST EXPENSES		
Interest on Loans	15,983,001	15,576,234	Compensation and Benefits	9,346,395	8,831,663
Interest on Investment Securities and Cash Equivalents	2,775,573	2,695,748	Occupancy	1,186,723	1,195,303
Total Interest Income	\$18,758,574	\$18,271,982	Operations	3,214,547	3,273,425
INTEREST EXPENSE			Professional and Outside Services	3,591,840	3,172,720
Dividends on Members' Shares and Savings Accounts	2,243,666	1,811,113	Promotion	684,198	595,132
Net Interest Income Before Provision for Loan Losses	\$ 16,514,908	\$16,460,869	Collection and Loan Administration	1,790,478	1,557,681
			Other	997,089	898,863
Provision for Possible Loan Losses	1,674,291	2,261,976	Total Non-Interest Expenses	\$20,811,270	\$19,524,787
Net Interest After Provision for Loan Losses	\$14,840,617	\$14,198,893			
NON-INTEREST INCOME			NET INCOME (LOSS)	\$1,624,317	\$1,442,632
Share Draft Fees	2,113,701	1,903,193			
Card Services	3,033,161	2,833,160			
Miscellaneous Income	1,859,756	1,569,202			
Insurance Fees	478,977	518,328			
(Loss) on Sales of Investments	109,375	(55,357)			
Total Non-Interest Income	\$7,594,970	\$6,768,526			

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Wherever *That* May Be.