



2020 ANNUAL REPORT



Board Chairman & President/CEO Report

Dear Members,

We speak your language. Since 1953, the ValleyStar team has guided, educated and stood by its members to make banking and managing your finances as easy and convenient as possible.

ValleyStar has lived through many transitions and understands the importance of a strong team during dynamic and challenging times.

2020 brought a new and unexpected challenge that rocked the world economy; however, the stable growth trajectory of ValleyStar Credit Union has kept us strong during these difficult economic times.

The global pandemic expedited the need to shift much of our lives into the digital space, and banking was no different. The ValleyStar team has made great strides this past year, as we continuously look for new ways to make life a little easier for you. We've heard your concerns. We opened our lobbies to appointment-only visits. We have increased resources to our contact center while expanding our drive-thru capabilities. Increasing our digital services to better serve your needs is a top priority. ValleyStar has been working as a team to overcome this pandemic from the teller line to the board room.

ValleyStar implemented a COVID-19 relief package to help qualifying members in several areas. Mortgage loan modifications helped members, who faced difficult financial decisions, by keeping mortgage payments from overwhelming their family budgets. 60-day loan deferments helped members make ends meet. Our commercial team built a customized PPP look-alike program for our business owners. Members responded to the tune of \$10 million in capital through 30 loans. The program received national recognition with the 2020 Excellence in Lending Award from the Credit Union National Association (CUNA). Together, these various efforts brought needed relief for ValleyStar members.

The ValleyStar team not only supports members but the communities we serve. As multiple non-profits canceled events or tried their luck with virtual fundraisers, our team leaned in and accepted the challenge. COVID-19 canceled the ValleyStar golf tournament for Children's Miracle Network, but thanks to the strong relationships with so many community members, we were still able to donate \$40,000 to the cause. As we moved through the year, ValleyStar supported the National Association of Mental Illness, the Lottie Moon Christmas Offering, and the Salvation Army. As the year wrapped up, we were also honored

to see faces light up at schools throughout our neighborhoods as ValleyStar sponsored several schools, providing lunch to teachers and staff to simply say thank you.

2020 continued construction on phase one of the ValleyStar administrative building in Rocky Mount, Virginia, and we will soon begin moving into our new space.

As we welcome 2021, the ValleyStar team will improve our members, communities, and employees' quality of life and financial well-being by building a path of innovation that brings mutual success, community engagement, and a supportive work environment.

We want to remind you that we are people just like you. Whether you own a small business, dream of going for that law degree or want to build that comfortable nest egg so you can retire, the ValleyStar team is here to help every step of the way.

Thank you for giving us the opportunity to serve you. We are excited about the future and the opportunities still to come.

Douglas Nunn | Chairman of the Board



Delbert Lee Morgan | President/CEO



Douglas Nunn
Chairman of the Board



Delbert Lee Morgan
President/CEO

ValleyStar Credit Union
February 10, 2020

Thanks, WFXR News, for joining us at #ChimesRoanoke for Good Day Virginia this morning!

30 Likes

Like Comment Share

ValleyStar Credit Union
March 4, 2020

Come out to Martinsville-Henry County Chamber of Commerce's Fast Track event and learn more about how to build your piggy bank! #valleystar

42 Likes

Like Comment Share

ValleyStar Credit Union
March 25, 2020

In addition to the Emergency Financial Relief options we announced last week, we are adding an automatic 60-day loan deferment option on consumer loans and credit cards that will help most of our members during the coronavirus crisis.

30 Likes

Like Comment Share

ValleyStar Credit Union
May 18, 2020

This week is #SeniorWeek at ValleyStar Credit Union. We will be celebrating the graduating seniors of our ValleyStar family with #SeniorShoutouts.

24 Likes

Like Comment Share

ValleyStar Credit Union
June 15, 2020

ValleyStar encourages members to use digital banking platforms for the health and wellness of our employees, members and communities

35 Likes

Like Comment Share

ValleyStar Credit Union
September 1, 2020

We are on the way to achieving our goal of raising \$40,000 for Children's Miracle Network Hospitals Southwest Virginia in our virtual carnival.

28 Likes

Like Comment Share

ValleyStar Credit Union
November 7, 2020

Hey Richmond – join us Thursday, November 12, at the Innsbrook Pavilion for a drive-in movie showing of Jumanji: Welcome to the Jungle!

62 Likes

Like Comment Share

ValleyStar Credit Union
October 16, 2020

We are excited to announce the official opening of our Fishersville Loan Center! If you missed the live stream of the Ribbon Cutting event, you can view it here: <https://bit.ly/34YitEw>. #FeelGoodFriday

62 Likes

Like Comment Share

Supervisory Report

Dear Members,

The Supervisory Committee is once again privileged to report that ValleyStar Credit Union remains in a very robust financial condition, reflecting the strong and prudent management of its assets. We can confirm to our members that Credit Union policies, programs, and management practices are thoroughly professional and fully implemented in an effective manner.

The Committee has continued to work closely with the certified public accounting firms of Doeren Mayhew CPAs and Advisors, who conducted the financial statement audit, and Brown, Edwards & Company, who performed the quarterly internal audits for the Credit Union. Both firms reviewed procedures to ensure Credit Union adherence to all standards set by our regulatory agencies, the National Credit Union Administration, and the Commonwealth of Virginia State Corporation Commission. The audits were conducted in



Terry Young
Chairman,
Supervisory Committee



Jason Viperman
Supervisory Committee



Tyel Banks
Supervisory Committee

accordance with generally accepted auditing standards of the American Institute of Certified Public Accountants.

If any member desires to present recommendations for improvement, please contact me or any other member of the Supervisory Committee.

Sincerely,

A handwritten signature in black ink that reads "Terry A. Young".

Treasurer's Report



G. Steve Isley
Treasurer

Dear Members,

On behalf of the Board of Directors, I am pleased to report that 2020 was a successful year financially for the Credit Union during a pandemic. Our year-end assets totaled \$548,472,993, an approximate 10% increase over 2019's total of \$499,530,359. Year-end deposits grew to \$482,378,110 from \$435,698,397 a 10.71% increase over 2019. Net income was \$1,050,625 and total membership ended the year with 53,710 members. These totals represent solid sustainable growth. Since founded in 1953, the Credit Union's retained earnings have increased to \$60,010,920 and remains above peer average in all national credit union peer capital adequacy ratios. The 2019 and 2020 financials are provided for you in this program. The Board of Directors and the Credit Union management team meet at least once a month to evaluate the financial condition and adherence to and implementation of the Credit Union policies that affect each member's life. If you have questions or comments regarding ValleyStar's financial performance, please do not hesitate to contact me. Thank you for the opportunity to be able to serve in this capacity.

Sincerely,

A handwritten signature in white ink that reads "G. Steve Isley".

Comparative Financial Statements

| CONSOLIDATED STATEMENT OF FINANCIAL CONDITION As of December 31, 2020 (Unaudited) | | |
|---|----------------------|----------------------|
| ASSETS | 2020 | 2019 |
| Cash | \$5,837,548 | \$4,444,598 |
| Investments | \$172,245,099 | \$158,324,830 |
| Net Loans | \$333,008,715 | \$309,067,210 |
| Fixed Assets | \$23,354,028 | \$18,355,520 |
| Other Assets | \$14,027,602 | \$9,338,200 |
| Total Assets | \$548,472,993 | \$499,530,359 |
| LIABILITIES | | |
| Total Liabilities | \$3,682,479 | \$4,635,058 |
| EQUITY | | |
| Member Shares | \$482,378,110 | \$435,698,397 |
| Other Equity | \$62,412,404 | \$59,196,904 |
| Total Liabilities & Equity | \$548,472,993 | \$499,530,359 |

| STATEMENT OF INCOME For the Period Ended December 31, 2020 | | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Loan Income | \$18,178,576 | \$16,153,259 |
| Investment Income | \$2,604,888 | \$3,369,569 |
| Other Income | \$6,261,120 | \$5,852,594 |
| Total Gross Income | \$27,044,584 | \$25,375,422 |
| Operating Expense | | |
| Operating Expense | \$22,549,796 | \$19,868,511 |
| Net Operating Income | \$4,494,788 | \$5,506,911 |
| Non Operating Gain/ Loss | \$137,045 | \$935,512 |
| Net Income Before Dividends | \$4,631,833 | \$6,442,423 |
| Dividend Expense | \$3,581,208 | \$3,867,615 |
| Net Income | \$1,050,625 | \$2,574,808 |

| TOTAL ASSETS | |
|---------------------|----------------------|
| 2016 | \$291,415,247 |
| 2017 | \$321,507,233 |
| 2018 | \$400,492,377 |
| 2019 | \$499,530,359 |
| 2020 | \$548,472,993 |

| TOTAL DEPOSITS | |
|-----------------------|----------------------|
| 2016 | \$247,008,732 |
| 2017 | \$274,844,366 |
| 2018 | \$349,174,551 |
| 2019 | \$435,698,397 |
| 2020 | \$482,378,110 |

| TOTAL LOANS | |
|--------------------|----------------------|
| 2016 | \$174,398,433 |
| 2017 | \$196,777,165 |
| 2018 | \$247,077,967 |
| 2019 | \$310,594,028 |
| 2020 | \$335,704,915 |

| TOTAL MEMBERS | |
|----------------------|---------------|
| 2016 | 27,637 |
| 2017 | 30,637 |
| 2018 | 43,184 |
| 2019 | 54,065 |
| 2020 | 53,710 |

Legislative Report



Gregory Hill
Legislative
Representative

Dear Members,

Our great nation's headlines have reflected turmoil and division, but everyone involved in the credit union movement can unite by playing an active role in supporting a positive credit union legislative and regulatory environment. We remind all elected officials that our credit union enables consumers to receive superior financial products and services. We donate to the Virginia Credit Union Political Action Committee (VACUPAC), a fund that ignores party affiliations and assists locally elected officials that listen to us and vote for legislation that supports our credit union. Next time you see an elected official, remind them that credit unions support our local communities. Such grassroots activity is critically important when elected officials have the opportunity to support legislation that enables credit unions to remain a viable option for all consumers.

Our goal is to preserve a favorable legislative climate for ValleyStar Credit Union and ensure that elected officials understand our credit union industry's importance. Participating in a viable political action committee, like VACUPAC, is one way we ensure that ValleyStar has the attention of our lawmakers. In 2020, we raised \$6,000 for VACUPAC. I want to thank everyone who participated in this effort.

Sincerely,

A handwritten signature in white ink that reads "Gregory Hill". The signature is written in a cursive, flowing style.

Minutes of the 66th Annual Meeting

- I. Chairman Douglas Nunn called the meeting to order at 5:32 p.m. at the New College Institute. He declared the meeting officially open and introduced the head table.
- II. An invocation was given by James Rorrer.
- III. The Chairman determined a quorum was present.
- IV. A motion was made by Bobby Draper and seconded by Charles Speakman to dispense with the reading of the 2018 Annual Meeting minutes.
- V. Chairman Douglas Nunn gave the Chairman's report.
- VI. President/CEO Delbert Lee Morgan gave the President's report.
- VII. Supervisory Committee Chairperson Terry Young gave the Supervisory Committee's report.
- VIII. President/CEO Delbert Lee Morgan gave the Treasurer's report.
- IX. President/CEO Delbert Lee Morgan gave the Legislative report.

X. Unfinished Business: There was none.

XI. New Business: There was none.

XII. Director James Rorrer announced that the Nominating Committee nominated Richard Wood, Nancy Phillips, Betty Jo Ray, Mike Bryant and Cheri Spence to serve three-year terms (2023).

He reported that ValleyStar's bylaws and election policy provide a process for nomination by petition and election by mail ballot when there is more than one nominee.

Since there were no nominations by petition and only one nominee for each vacancy, Director James Rorrer announced the election of the previously named individuals for the terms previously designated.

XIII. SVP/CMO Mickey Garland announced the winners of the door prizes.

XIV. There being no further business, the meeting was adjourned at 5:50 p.m.

Board of Directors



Douglas Nunn
Chairman



Richard Wood
Vice Chairman



G. Steve Isley
Treasurer



Nancy Phillips, Ph.D
Secretary



Betty Jo Ray
Director



Gregory Hill
Legislative
Representative



Norman Hill
Director



James Rorrer
Director



David Deal
Director



Michael Bryant
Director

Executive Team



Terry Young
Chairman, Supervisory
Committee



Jason Viperman
Supervisory
Committee



Tyel Banks
Supervisory
Committee



Delbert Lee Morgan
President/CEO



Lisa Lambrecht
Executive Vice
President



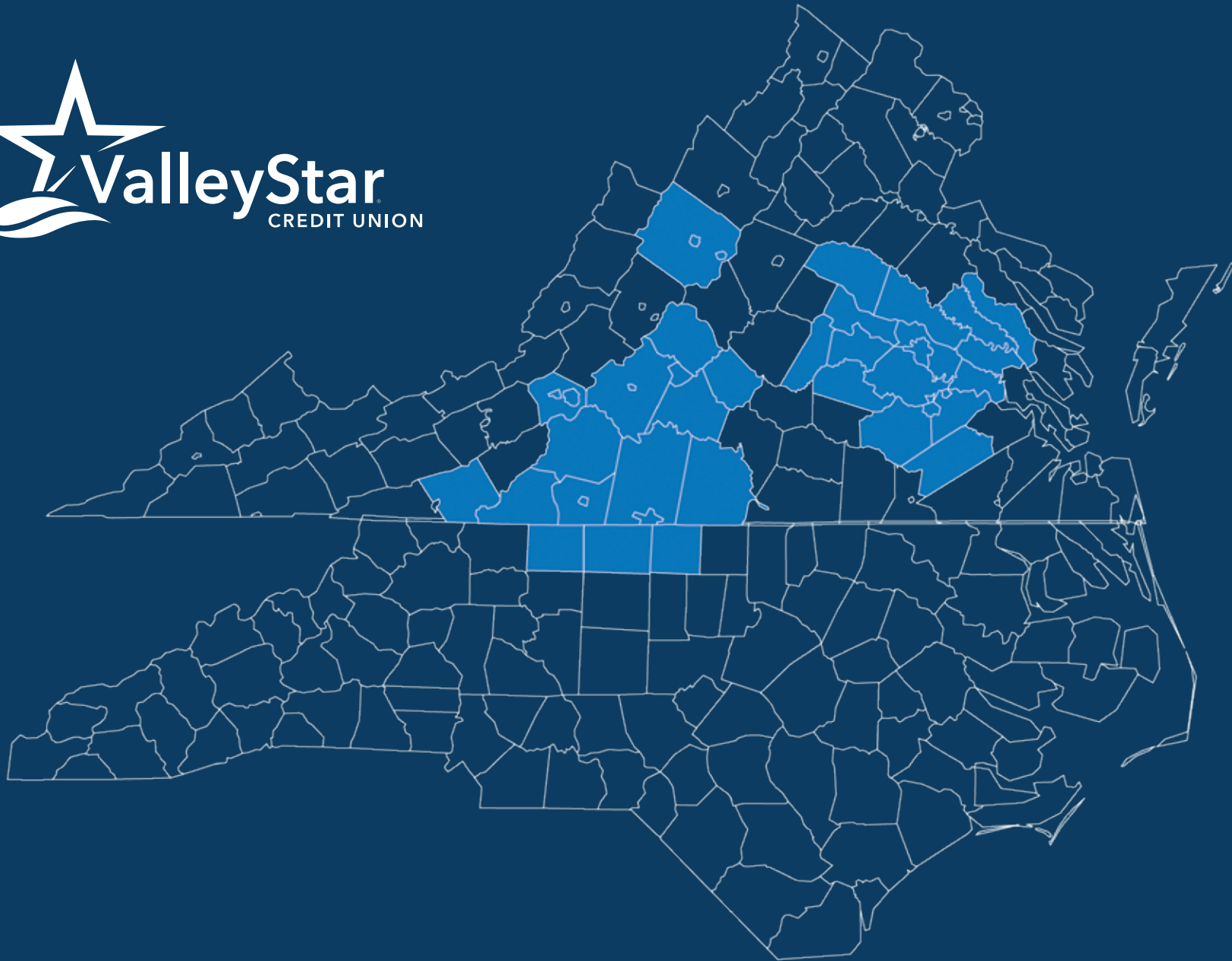
Andrew Reynolds
SVP/Chief Financial
Officer



Cheri Spence
SVP/Chief Information
Officer



Karen Desalvo
SVP/Chief Experience
Officer



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