

**PEOPLE
HELPING
PEOPLE**

Since 1936



2021 Annual Report

MESSAGE FROM THE CEO



SouthPoint had an outstanding 2021 highlighted by exceptional growth, reaching new milestones, and implementing transformations for the future. We entered the year with a strong vision for the future despite the unprecedented challenges in our world. Factors such as the pandemic, inflation, labor shortages, and supply chain challenges are impacting all of us. With the weight of political, social, and economic volatility, it's clear our economy will continue to be challenged.



Despite the challenges, in many ways it was a record setting year for the credit union. We surpassed the exciting milestone of \$500 million in Assets, growing \$76 million and nearly 18% over 2020. Deposits surged by 19% and \$72 million as the pandemic caused members to curb spending and increase savings. Lending also grew at a strong rate with Total Loans increasing by just over 6%, while maintaining low delinquency of .11%, and charge-off rate of .04%.



In addition to growth, we had a strong income year as well. Earnings were solid with Net Income of over \$4.5 million and a Return on Assets of .96% at year-end. Net Worth to Total Assets dropped due to the strong Asset Growth but remains high at 10.93%, with Member Equity growing 7.5% to over \$55 million.

The credit union's history of financial strength and solid growth continues due to members strong loyalty and patronage. The credit union difference is about putting people first and improving financial lives. Unlike for-profit financial institutions focused on paying a group of owners or stockholders, SouthPoint invests its earnings in our members. During 2021, SouthPoint returned more than \$1.8 million in dividends to members on deposits. We are committed to offering competitive interest rates, providing financial education, and adding value to build a brighter future and promote financial well-being for all. For these reasons, new



and existing members continue choose SouthPoint for their financial needs. Membership grew by more than 2,500 members, ending the year with 28,776 total members.

Our focus on growth comes from a passion and relentless drive to do more for our membership. To ensure the credit union remains competitive and sustainable, and to bring credit union services to more members and communities, we have set an internal goal of 40x25, which is to achieve 40,000 members by the end of 2025.

To continue to offer the best services and grow and expand meaningfully, we worked to transform our core operating system, adopted new bylaws, expanded our Board of Directors to nine members, and expanded SouthPoint's Field of Membership by adding Rice, Steele, Freeborn and Waseca counties. Additionally, membership is now open to anyone who becomes a patron of the SouthPoint Foundation. These investments and expansions will enable us to provide exceptional service to additional communities and people with improved and more convenient and affordable products and services.

As your credit union, we are dedicated to protecting your well-being and being there to help you with all your financial needs for years to come. As we embark on 2022, I would like to thank you for your membership and trust, our staff for their hard work and dedication, and our Board of Directors, committee members, and volunteers for their dedication, counsel, and support. United together we remain strong.

We look forward to continuing to provide you with exceptional member service in helping you achieve your financial goals.

Jay Gostoncziak
President/CEO



MESSAGE FROM THE BOARD

Greetings from the SouthPoint Board of Directors. The past year has gone by very fast as it seems like just a short time ago I was writing this report for the last annual meeting. The year 2021 was busy. The board and management team tackled a lot of issues during the year. Some issues were on the radar, and some were addressed on the fly. As a team we worked together to lead SouthPoint in a direction that is best for the membership. As a board it is our duty to keep SouthPoint a strong financial institution both at the present time and into the future.

During 2021 SouthPoint worked on several initiatives, both long term and other near-term initiatives. The one daunting project that everyone has heard about is the core software conversion. This has been a long multi-year project that has involved everyone at SouthPoint.

The board approved this initiative many months ago after a long period of research that was conducted by the management team. An outside consulting group specializing in this type of upgrade was hired to keep all parties on task. This included both SouthPoint and the software company. They acted as a moderator to make sure both parties were hitting predefined goals to reach predetermined milestones along the journey. The board was updated regularly on the progress and made aware of any changes or concerns. By the time you read this, the transition should be complete. There will be secondary or subsequent upgrades that will take place during the next few months.

The core conversion was the major project of the year, but we also had other initiatives.

BOARD REPORT CONTINUED TO NEXT PAGE



LEADERSHIP TEAM



**JAY
GOSTONCZIK**
President/CEO



**PATTI
GOHL**
Chief Operations
Officer



**AL
PETERSON**
Chief Financial
Officer



**TROY
DIEDRICH**
Chief Experience
Officer

BOARD OF DIRECTORS



**MATT
LUX**
Chair



**MIKE
KRUEGER**
Vice-Chair



**JEFF
IBBERSON**
Secretary



**BOB
WEISS**
Director



**MARK
BRUGGEMAN**
Director



**SCOTT
SURPRENANT**
Director



**ADAM
SEIFERT**
Director



**JERRY
FORSTER**
Director



**CHARLIE
GRAVELLE**
Director

SUPERVISORY COMMITTEE



**TAMMY
HELGET**
Chair



**JENNIFER
ASMUS**
Member



**ASHOK
GOYAL**
Member

COMMUNITY ADVISORY COMMITTEE



**JACOB
SANKEN**
Member



**ANNE
SILSETH**
Member



**BOB
SUKO**
Member

BOARD REPORT FROM SECOND PAGE

These included the expansion of our Field of Membership and the expansion of the board to nine members and appointing members to our Supervisory Committee and Community Advisory Committee. All of this was done while providing continued service to all our members.

Looking forward, SouthPoint will have a busy year. The economic conditions, both domestically and worldwide, will have an impact on our journey. SouthPoint is set up to react to these changes as they occur. There will be challenges ahead that we will be addressing. Some of these include retention and recruitment of employees along with continued education and training.

Another is the demands of data security. This is one of the most important aspects of a financial institution's existence. SouthPoint invests a lot of resources to make sure member's data stays secure. Lastly, the need to maintain and update all our software platforms will continue. SouthPoint made a large leap forward by upgrading our core software and, in the future, we will be doing more to stay current. The investment in software, outside of our investment in people, is the most important part of our responsibility to provide services to our members, whether that is face-to-face or online.

In closing, I would like to thank management and staff for all their hard work and commitment to SouthPoint. The investment in time and talent towards the core software update was and still is remarkable. Your hard work is what makes SouthPoint a success. I would also like to thank my fellow board members for their service and commitment to SouthPoint and its members. Most of all, I would like to thank SouthPoint members for their continued support.

Matthew Lux
Board Chairman

SouthPoint Foundation

The SouthPoint Foundation is a 501(c)3 nonprofit organization established in 2017 to help guide philanthropic initiatives in the communities that are served by the credit union. In 2021, the Foundation had \$32,454.04 in contributions and dividends and donated a total of \$26,500 in student scholarships, financial literacy initiatives and community philanthropic endeavors.

New in 2021 was the establishment of the Foundation Patron program. Patrons are those individuals that make a \$5 contribution to the Foundation, and as a result, join the credit union as a member. "On behalf of the Foundation Board of Directors, we want to thank the members and staff of SouthPoint Financial Credit Union for their support to help drive forward the financial literacy, community philanthropy and the student scholarship initiatives that have been so important during the pandemic."

Troy Diedrich
SouthPoint Foundation President

SouthPoint Divisions



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SUPERVISORY COMMITTEE REPORT

The role of the Supervisory Committee is important and similar to the role of an internal auditor, which is to protect the interests of SouthPoint Financial Credit Union members. The committee members assume this responsibility by ensuring a quality system of checks and balances are maintained. The committee is appointed by the Board of Directors. Members for 2021 were Tamara Helget, Jerry Forster, and Charlie Gravelle.

The Supervisory Committee acts as a guardian of the credit union by ensuring operations are conducted in accordance with governing rules and regulations and assets are properly administered. The committee retained the services of a nationally recognized professional outside Certified Public Accountant firm to

perform a comprehensive annual audit and received a “clean opinion” as of December 31, 2021. Additionally, the National Credit Union Administration/State of Minnesota Department of Commerce conducted a thorough examination of the credit union’s operations as of December 31, 2019.

Based on the Supervisory Committee’s interaction with the Board of Directors, Executive Management, and the Internal Auditor, it is the opinion of the Supervisory Committee that SouthPoint Financial Credit Union is conducting its affairs in a fiscally safe manner and the financial statements presented in the annual report fairly represent the condition of SouthPoint Financial Credit Union at year-end 2021.

Community Advisory Committee

The Community Advisory Committee is the culmination of many years of hard work dedicated to improving our members lives and creating a platform for members to become involved and engaged in their credit union. The model is based on finding members from the communities in which we serve to provide

SouthPoint with feedback and insights into how the members of their community would like SouthPoint to be engaged.

This could be through financial literacy, community support, fundraising/charitable giving or even the best way we can use our

CORE VALUES

- ★ **MUTUAL BENEFITS**
 We seek solutions that simultaneously add value to the organization and our members.
- ★ **RELATIONSHIPS**
 When we focus on people first, the business results will follow.
- ★ **SUSTAINABILITY**
 We add value by ensuring a healthy future for our organization.
- ★ **KNOWLEDGE**
 We add value when we seek to advance and share knowledge.
- ★ **TEAM DRIVEN**
 We win as a team.

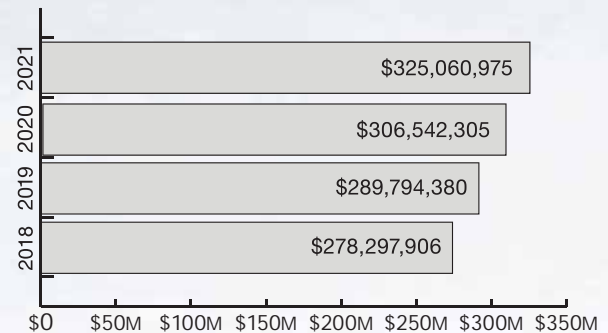
products and services to help. We are honored to have these members be a part of our credit union and to share their experiences and ideas with us, to do more for you, the member owner.

Brad Haynes
Sales Manager

FINANCIAL STATEMENT

Balance Sheet	2020	2021
Assets		
Loans to Members (net)	\$306,542,305	\$325,060,975
Cash and Equivalents	\$63,477,141	\$62,931,575
Investments	\$27,780,954	\$82,052,840
Fixed Assets	\$13,719,177	\$14,983,993
Other Assets	\$20,314,137	\$23,606,682
Total Assets	\$431,833,714	\$508,636,064
Liabilities and Members Equity		
Savings Accounts & Other Deposits	\$377,114,316	\$449,428,558
Borrowed Funds	\$0	\$0
Other Liabilities	\$3,493,984	\$4,150,301
Members Equity	\$51,225,413	\$55,057,205
Total Liabilities & Members Equity	\$431,833,713	\$508,636,064
Income Statement		
Interest on Loans	\$13,060,531	\$12,660,130
Interest on Investments	\$351,440	\$440,653
Non-interest Income	\$7,496,253	\$8,267,649
Total Gross Income	\$20,908,224	\$21,368,433
Dividend & Interest Expense	\$3,037,985	\$1,850,986
Operating Expense	\$14,243,146	\$14,558,475
Provision for Loan Loss Expense	\$1,150,812	\$440,996
Non-Operating Income/Loss	\$14,591	\$1,992
Total Expense	\$18,446,534	\$16,852,449
NET INCOME	\$2,461,690	\$4,515,984

Loan Growth



Asset Growth

