

## A Combined Message from the Chairman and the President

### Challenges prove we're better together

DuTrac Community Credit Union takes to heart the team-building expression: "We're better together." The motto guided collective triumphs and taught us to live bravely after a challenging 2020.

Ultimately, these wins, along with renewed courage, led us to break free of quarantines, travel again, and celebrate living in a somewhat different world.

### Innovation creates opportunity

In 2021, the rejuvenated digital age brought innovative approaches to banking for DuTrac's members. As a result, DuTrac made good on its commitment to implement products and services to better meet the increasing digital needs of our members.

DuTrac successfully implemented a new platform for its online banking solution, PC Branch, and its new smartphone app, MobileLink. Both online tools are now more intuitive, making it easier to use and find information.

For example, members increasingly completed transactions, such as depositing checks using Mobile Deposit, paying bills through Bill Payer, and conducting account transfers, using smart devices. Feedback for both new services has been overwhelmingly positive.

In addition, DuTrac launched its new website, DuTrac.org. It contained dramatically fewer pages and a shorter menu so members could navigate and find the pertinent information they needed. In addition, the new look is modern and crisp.

DuTrac made available contactless debit cards, with credit cards soon to follow. Now, a quick tap of the card will initiate payment. It's also a more secure means of doing business.

Expect more focus on member experience in the future.

### Expansion built on member loyalty

DuTrac can grow its footprint because of member loyalty and its history as a sound steward of assets while providing some of the region's best returns.

In 75 years, DuTrac has grown from its humble start at John Deere Dubuque Tractor Works in 1946 to 13 offices across the tri-state region in 2021. The 14th office is set to open in Bettendorf in 2022.

In addition, as noted in the Treasurer's message, DuTrac's assets have grown from a few thousand dollars when founded, to nearly a billion dollars in assets at the end of the calendar year 2021.

### The value that members deserve

Success comes because members find value in DuTrac. DuTrac's Board of Directors, management, and staff are committed to bringing members even greater value in the years ahead. Value members deserve for their ongoing loyalty, commitment, and trust.

Members and DuTrac Community Credit Union, we indeed are better together.

With gratitude,



**Daniel Deutmeyer**  
*Chairman*



**Andrew Hawkinson**  
*President and CEO*

# Board of Directors



**Daniel Deutmeyer**  
*Chairman*



**John Vail**  
*Vice Chairman*



**Susan Kern\***  
*CFO/Treasurer*



**Nicholas Specht**  
*Secretary*



**Crenna Brumwell**



**David Eggers**



**Chad Kruse**



**Kevin Mueller**



**Scott Neyens**



**Harlan Pedretti**



**Michael Ready**

## A Message from the CFO/Treasurer

*Respectfully submitted by Nicholas Specht - Chief Financial Officer and Treasurer\**

### Financial highlights as of December 31, 2021

Most variances recognized during fiscal 2021 came from pent-up consumer demand caused by the pandemic, supply chain disruptions, increased cash balances from stimulus checks, and reduced expenditures. See the highlights below.

### Assets grew

Total assets grew to \$980.5 million as of December 31, 2021, an increase of \$82.7 million and 9.2% from total assets of \$897.8 million recognized as of December 31, 2020. Earning assets saw growth of \$23.6 million in loan balances and an increase of \$49 million in investments this past year. This growth was funded by continued growth in our shares and deposits.

Pent-up consumer demand for goods and services was the primary factor for loan growth. While the investment balance increased due to higher than usual cash balances leveraged to purchase additional investments to generate higher returns in the market than earned by traditional cash investments.

A review of shares and deposits reflects growth in the accounts of \$78.3 million, or 10.0%, from \$782.5 million as of December 31, 2020, to \$860.8 million as of December 31, 2021. The increase confirms that consumers selected safe and federally insured accounts at DuTrac rather than market options associated with more risk. Moving funds to traditional savings and deposit offerings was a common theme globally in 2020 and 2021. The unknown

future economic impact of the pandemic and rising geopolitical tensions provided cause for uncertainty among consumers and markets.

### Net income increased

Net income increased for the fiscal period 2021 by \$2.29 million, from \$6.13 million recognized during 2020 to \$8.42 million recognized during 2021.

A \$.7 million increase in net income earned before operating expenses and a reduction in year-over-year operating expenses of \$1.7 million were the primary factors increasing net income during fiscal 2021. An increase of \$.5 million in sources of other operating income between the fiscal periods was the standout reason for the increase in net income earned before operating expenses. At the same time, a decline in provision for loan losses during fiscal 2021, compared to fiscal 2020, of \$.65 million was the primary cause for the year-over-year decrease in DuTrac's operating expenses.

### Well capitalized

DuTrac recognized net worth of \$116.6 million and 11.89% as of December 31, 2021, compared to \$108.2 million and 12.04% as of December 31, 2020. As of December 31, 2021, DuTrac exceeded the regulatory capital minimum of 7% by an additional 4.89%. Its net worth, in conjunction with total solid assets and net income, indicates the financial strength and security of the credit union.

\* Nicholas Specht was appointed Chief Financial Officer and Treasurer after the resignation of Board member Susan Kern on May 23, 2022. Ms. Kern was elected Chief Financial Officer and Treasurer during DuTrac's 2021 Board Reorganization Meeting that took place immediately following Board elections at the 2021 Annual Meeting.

# Financial Status

<b>ASSETS:</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
Loans	\$679,880,996	\$656,292,020	3.59%
Allowance for Loan Loss	-\$2,166,171	-\$2,199,589	-1.52%
Cash & Receivables	\$18,804,137	\$12,006,372	56.62%
Investments	\$249,448,970	\$200,416,213	24.47%
Other Assets	\$34,555,818	\$31,285,965	10.45%
<b>TOTAL ASSETS:</b>	<b>\$980,523,750</b>	<b>\$897,800,981</b>	<b>9.21%</b>
<b>LIABILITIES &amp; EQUITY:</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
Shares & Deposits	\$860,801,236	\$782,473,881	10.01%
Accounts Payable	\$2,053,122	\$2,237,996	-8.26%
Accrued Expenses	\$2,592,267	\$3,483,405	-25.58%
Reserves & Undivided Earnings (Equity)	\$115,077,125	\$109,605,699	4.99%
<b>TOTAL LIABILITIES &amp; EQUITY:</b>	<b>\$980,523,750</b>	<b>\$897,800,981</b>	<b>9.21%</b>
<b>INCOME &amp; EXPENSES:</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
Income from Loans	\$26,510,758	\$28,048,352	-5.48%
Investment Income	\$1,608,788	\$1,619,913	-0.69%
Total Interest Income	\$28,119,546	\$29,668,265	-5.22%
Total Cost of Funds	-\$4,714,442	-\$6,454,634	-26.96%
Net Interest Income	\$23,405,104	\$23,213,631	0.82%
Other Operating Income	\$7,504,256	\$7,007,922	7.08%
<b>NET INCOME BEFORE OPERATING EXPENSES:</b>	<b>\$30,909,360</b>	<b>\$30,221,553</b>	<b>2.28%</b>
<b>OPERATING EXPENSES:</b>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
Compensation & Employee Benefits	\$11,088,879	\$10,961,389	1.16%
Association Dues	\$54,066	\$60,122	-10.07%
Office Operations & Occupancy	\$5,939,842	\$5,454,681	8.89%
Advertising & Promotion	\$1,599,859	\$1,521,167	5.17%
Loan Servicing	\$2,888,901	\$2,448,785	17.97%
Professional & Outside Services	\$1,380,863	\$1,436,111	-3.85%
Provision for Loan Losses	\$478,800	\$1,125,200	-57.45%
Miscellaneous Expenses	-\$331,341	\$1,767,109	-118.75%
<b>TOTAL OPERATING EXPENSES:</b>	<b>\$23,099,867</b>	<b>\$24,774,563</b>	<b>-6.76%</b>
<b>NET INCOME FROM OPERATIONS:</b>	<b>\$7,809,492</b>	<b>\$5,446,990</b>	<b>43.37%</b>
Non-Operating Income & Expense	\$612,177	\$682,007	-10.24%
<b>NET INCOME:</b>	<b>\$8,421,670</b>	<b>\$6,128,997</b>	<b>37.41%</b>
<b>ASSETS</b>	<b>Fair Market Value</b>	<b>Book Value</b>	
Cash or Short Term Investments	\$18,804,137	\$18,804,137	
Investments, Securities & CDs	\$247,807,411	\$249,448,970	
Member Loans	\$656,084,975	\$679,880,996	
<b>LIABILITIES</b>	<b>Fair Market Value</b>	<b>Book Value</b>	
Total Shares & Deposits	\$845,279,009	\$860,801,236	

DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS - Statement of Financial Accounting Standards No. 107, "Disclosures About the Fair Value of Financial Instruments," requires disclosures for fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and in many cases, could not be realized in immediate settlement of the instrument. Statement No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Credit Union.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate the value:  
**CASH AND SHORT-TERM INVESTMENTS** - The carrying amount is a reasonable estimate of fair value.

**CERTIFICATES OF DEPOSIT** - The fair value of Certificates of Deposit (CDs) held for investment purposes is estimated by discounting the future cash flows using the rates currently offered for certificates with similar remaining maturities. Those with remaining maturities of less than one year are stated at carrying value, which approximates fair value.

**INVESTMENT SECURITIES** - The fair value of investment securities is based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

**MEMBERS' LOANS** - The fair value of each homogeneous type of loan is estimated by discounting the estimated future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

**SAVINGS, CHECKING AND NON-CERTIFICATE OF DEPOSIT INDIVIDUAL RETIREMENT ACCOUNTS (Non-CD IRAs)** - The fair value of savings accounts, share drafts and non-CD IRAs is the amount payable on demand at December 31, 2021.

**MEMBERS' CERTIFICATES OF DEPOSIT AND FIXED MATURITY IRAs** - The fair value of fixed maturity Certificates of Deposit and fixed maturity IRAs is estimated using the rate currently offered for deposits of similar remaining maturities.

# **A Message from the Nominating Committee**

*Respectfully submitted by Nicholas Specht, Chair; Crenna Brumwell, Kevin Mueller, Scott Neyens and Michael Ready (Associate Director Liaison)*

During the 2021 Annual Meeting, Board of Director nominees Daniel Deutmeyer, Scott Neyens and Nicholas Specht were each re-elected to serve one (1), three-year term to the DuTrac Board of Directors.

The Annual Meeting was virtual due to the ongoing Covid pandemic. Immediately following the Annual Meeting, the Board of Directors convened and held its annual re-organizational meeting and elected the following officers to serve a one-year term: Daniel Deutmeyer, chair; John Vail, vice chair; Susan Kern, chief financial officer and treasurer; and Nicholas Specht, secretary.

Those Board members appointed to the Nominating, Credit and Audit committees are found within the headers of each annual committee report contained in this 2021 Annual Report.

Members interested in serving on the Board of Directors were notified in both the Spring '22 and Summer '22 *Update* newsletters, to request and submit board applications and biographical information to the Nominating Committee chair by August 30, 2022. As

a result, nominations for open seats on the Board of Directors are closed.

Directors having terms expiring in conjunction with the 2022 Annual Meeting are David Eggers, Chad Kruse and John Vail. In turn, after applications were received and reviewed, the following people were vetted by the Nominating Committee to stand for election by the membership to the DuTrac Board of Directors: David Eggers, Chad Kruse and John Vail. No additional applications were received. Bios of each nominee have been available on DuTrac.org for no less than 20 days and no more than 30 days before the Annual Meeting. Each nominee is running for one (1) of three (3) open, three-year term Board seats.

An announcement of the members appointed to DuTrac's Election Committee will occur during the 2022 Annual Meeting. Accordingly, the chair of the Election Committee will announce the results of the 2022 Annual Meeting elections.

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# **A Message from the Audit Committee**

*Respectfully submitted by Crenna Brumwell, Chair  
and Committee Members David Eggers, Scott Neyens and Michael Ready*

The Audit Committee (Committee) selected the public accounting firm WIPFLI, LLP, to perform an independent audit as of December 31, 2021. The audit report issued to the DuTrac Community Credit Union (Credit Union) Board of Directors (Board) concludes the financial statements of the Credit Union accurately represent the financial position of DuTrac and the results of its operations and cash flows and thereby indicate the general ledger, financial statements and records reported comply with generally accepted accounting principles (GAAP).

Supporting management's commitment to strong internal controls and accurate financial reporting, no regulatory compliance violations or materially significant deficiencies were found during a review of the internal controls of the Credit Union, nor were any such noted during the financial audit itself, as stated by WIPFLI, LLP within their independent auditor's report of the Credit Union.

The last regulatory exam was completed on February 15, 2022, with an effective "as of" date of September 30, 2021. The Iowa Division of Credit Unions, in

conjunction with federal regulators from the National Credit Union Administration (NCUA), conducted the exam, finding DuTrac's policies, practices, and internal controls complied with applicable state regulations, and received high levels of satisfaction from examiners. The examination indicated DuTrac continues to be financially sound. The next regulatory exam is scheduled for the weeks of January 9 and 17, 2023.

The engagement of an independent audit firm, the supervision of the Credit Union's internal audit function, and the review and supervision of the findings from the most recent regulatory examination are the responsibility of the Board-appointed Audit Committee, which is responsible for ensuring the overall safety and soundness of DuTrac.

Audit Committee members serve a one-year term but are not limited to serving only one year. Committee members are pleased with how DuTrac is managed and its continued financial strength.



# A Message from the Credit Committee

*Respectfully Submitted by Harlan Pedretti, Chair;*

*Daniel Deutmeyer, Chad Kruse, Kevin Mueller, John Vail and Ron Kinsella (Sr. VP of Lending)*

The Credit Committee (Committee) consists of members/volunteers elected to the DuTrac Board of Directors plus the senior vice president of lending. The Board appoints members to serve on the Credit Committee.

Tasks of Committee members include regularly reviewing and providing oversight of current lending and collection policies and procedures. This ensures the ongoing safety and soundness of loan underwriting to meet the credit needs of the membership.

Continuing from 2020, members grew weary of the lifestyle and networking limitations imposed by the pandemic and began to free themselves from Covid-related restrictions. Eventually, they went back to living their pre-pandemic lives. Purchases delayed by the pandemic and supply chain issues began anew. The increase in demand caused loan volume, before allowance for loan losses, to explode despite significant cash pay down of debt.

Also fueling loan growth were the increased cash positions of members created by federal stimulus checks and reduced consumer spending. Members' increased cash and low-interest rates worked with high consumer demand to stoke loan growth volumes during 2020 and 2021.

By December 31, 2021, DuTrac's loan volume had grown by \$23.6 million or 3.59% to \$679.9 million from a balance of \$656.3 million as of December 31, 2021.

Growth in loan volume was concentrated in the real estate and commercial lending categories. Real estate lending increased by \$14.4 million or 6.0% from balances of \$241.4 million and \$255.8 million as of December 31, 2020, and 2021, respectively while commercial lending balances increased from \$106.2 million to \$125.4 million, or an increase of \$19.2 million or 18.1%. Conversely, consumer loan

balances declined by \$5 million or 1.9% and home equity lines of credit declined by \$3.6 million or 14.2%.

Improved cash positions provided funding to pay down older consumer debt and reduce higher-interest rate credit card debt while bettering credit scores. Improved credit scores translated into reduced risk in the overall loan portfolio, reducing the amount expensed in the provision for loan losses from fiscal year 2021 to fiscal year 2020.

Provision for loan losses recognized expense during 2021 of \$.48 million compared to \$1.125 million during fiscal 2020, a decline of \$.65 million. Likewise, the allowance for loan losses balance declined by \$33,000 and 1.52% from \$2.2 million to \$2.167 million, at December 31, 2020 and 2021, respectively.

The allowance for loan losses represent some of the region's lowest risks associated with a loan portfolio. Both provision and allowance balances reflect DuTrac's ongoing commitment to managing various risk elements to a low level within the loan portfolio.

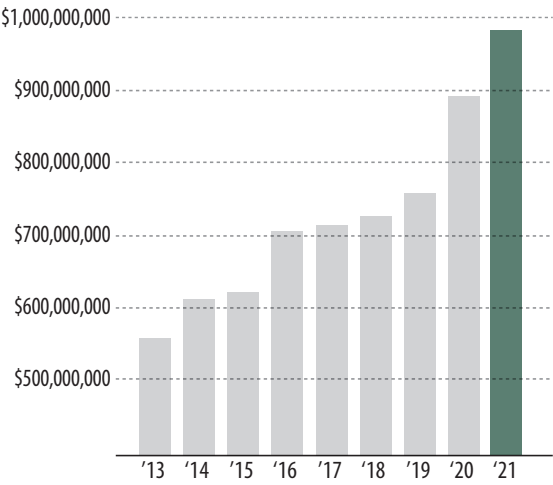
Members' shares not funding member loan growth either reduced member debt or purchased additional marketable investments with the hope of generating higher returns. Marketable investment balances increased by \$49.1 million or 25%, from \$200.4 million as of December 31, 2020, to \$249.5 million as of December 31, 2021.

Regardless of the current economic reality or the forecasted outlook, members can be confident that DuTrac will continue providing credit products to serve members' needs.

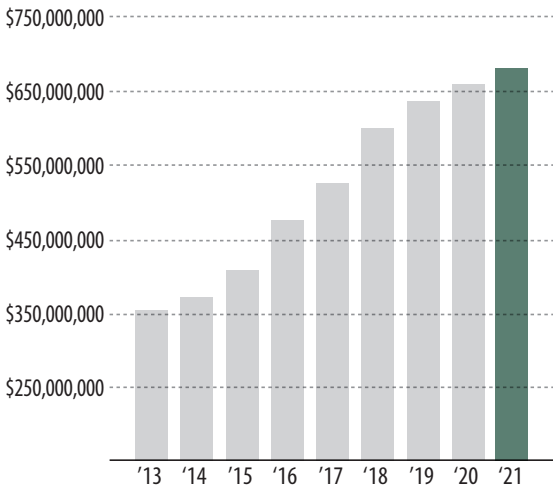
Thank you for the opportunity to serve you.



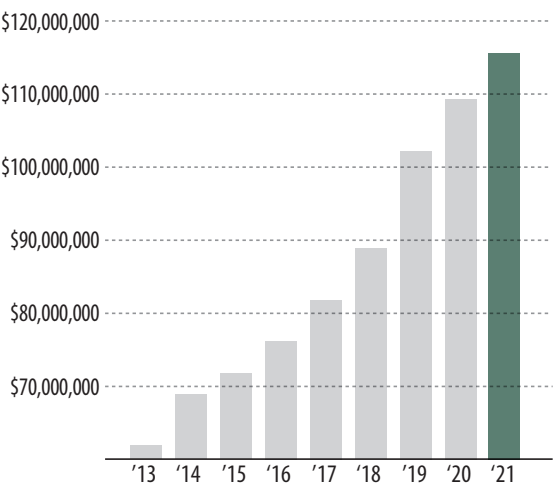
## Total Assets



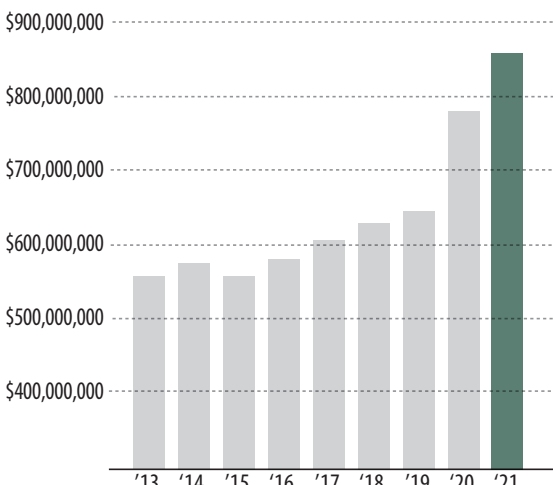
## Total Loans



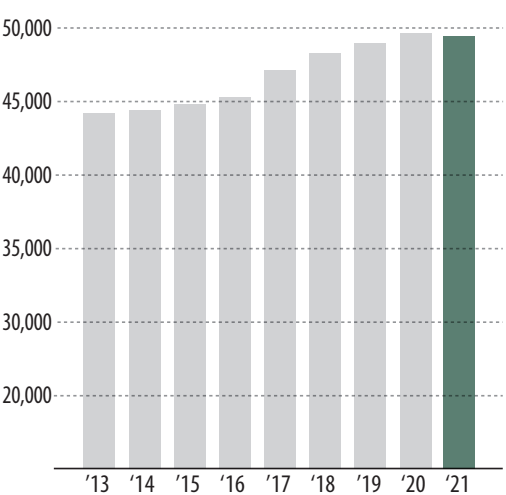
## Total Equity



## Total Deposits



## Total Members



Graphs reflect years ending December 31  
(Rounded to nearest thousand)