



ON TAP CREDIT UNION™ 2022 ANNUAL REPORT

# PEOPLE HELPING PEOPLE

CRAFTING FINANCIAL SOLUTIONS UNIQUELY FOR YOU



# PEOPLE HELPING PEOPLE

WITH HEARTS FULL OF GRATITUDE, RESPECT, AND APPRECIATION,  
WE WANT TO LIFT A GLASS TO ALL OUR MEMBERS AND TEAMS  
HERE AT ON TAP CREDIT UNION. YOUR VOICES, ENGAGEMENT, TRUST,  
AND HARD WORK MAKE THE CREDIT UNION MISSION OF  
PEOPLE HELPING PEOPLE TRULY COME TO LIFE.

**A**t On Tap, improving the financial well-being of our members and communities is the guiding principle that has allowed us to navigate and succeed through yet another year of rapid change. Our members are at the core of every decision we make and we are proud to say that 2022 was a year defined by innovation and forward-thinking that will set a foundation for growth and more expansive opportunities in years ahead.

As predicted, the natural path to recovery after recent years of economic and social difficulties brought with it a shift in banking that saw loan rates increasing. Still, through thoughtful craftsmanship on mortgages and low-interest refinancing solutions, we were able to help put our members in a better financial position to prosper through these shifting tides. While lending rates may be on the rise, the light within this type of change is that it also brings with it an increase in returns on deposits. Interest on deposits is on its way back to healthier levels, generating wealth for individuals who had been forced to delay savings goals through those years of financial uncertainty. In 2022, OTCU reached \$317 MM in deposits and net income for the year amounted to over \$2.2 MM, allowing us to give back over \$1.1 MM in dividends to members. Our credit union remains strong and well-capitalized at a net worth position of 9.45%.

Our strong standing has allowed us to forge forward in our pursuit to make banking approachable and accessible for all. Our teams continue to streamline technology, from elevated online banking tiers to enhanced banking and deposit solutions, to stay ahead of our ever-changing market. As members' needs evolve, we evaluate internal resources which in turn gives us an opportunity to better support our members' financial goals. This includes your dreams for the future such as college for your children or a vacation home in the mountains. That is why we redesigned our Investment & Wealth Management services to support personal dreams, not just retirement options. This allows us to offer a wide variety of financial planning options and services along with seasoned financial advisors who have a combined total of over 30 years of experience in the industry. On the business front, we're helping more small business and brewery owners than ever to bring their visions to life. As an organization that was born by beer and bettered by banking, we believe in Beer People Helping Beer People and know exactly what it takes to see a business through. That's why we're brewing a full range of commercial solutions to address every aspect of a company's activities. Our blend is smooth enough

to meet the needs of all and bold enough to craft small-batch opportunities for even the most specialized operation. In our communities, we've been able to do more outreach with events back in full swing. It was so refreshing this year to be able to get back together with the people in our neighborhoods. From taprooms to Member Appreciation Days and all our favorite local events that were finally able to return, it means so much to us to have the ability to bring financial education back out to the public and people we're here to serve.



**Toni Houck**  
*Board of Directors,  
Chair*



**Tracie Wilcox**  
*President and  
CEO*





Thanks to the progressive and dauntless initiative of our staff, we're making an important and powerful difference that is gaining On Tap recognition. This year, we were awarded **four 2022 Best of the Best Awards** including **Best Credit Union/Bank in Golden, Best Mortgage Company in both Arvada & Golden**, and our incredible Home Loan Consultant **Leslie Larson** won **Best Mortgage Agent/Consultant in Golden**. We are always particularly honored to receive these awards given that they are entirely decided by public voting in our communities. This is On Tap's first year winning Best Mortgage Company in Arvada and Golden and our tenth year winning a Best of the Best Award in our regions. In addition, our President and CEO

**Tracie Wilcox** was selected as a **2022 Titan 100 recipient**, an honor reserved for the state's most accomplished business leaders, decided by criteria that includes demonstration of exceptional leadership, vision, and passion. We thank Tracie for her experience of over 35 years in the financial services industry building genuine relationships, uncovering needs, and guiding our teams to make impactful differences in the futures of others. We are both humbled and grateful to have garnered such tremendous support and recognition from the public as well as our peers. The recognition didn't stop with us however. As we look toward building up the next generation, we were delighted to again have the chance to recognize two outstanding emerging leaders of our own through our scholarship program which awarded \$2,000 to these up-and-coming advocates as they pursue their interests in higher education. We wish these rising stars the greatest of success as they better their skills and share their talents with the world around them.



Looking ahead to 2023, we are exhilarated by the possibilities and opportunities before our organization and the benefits that will be passed on to our membership. Streamlining technology, enhancing banking and deposit solutions, and broadening our financial education and advocacy programs will all play integral roles in our plans for the year. In addition, we are excited by the opportunity to reach new markets while creating a more expansive range of services for our members both in person and remotely. While our reach and breadth of solutions evolve, our 'why' behind this path forward remains unchanged. It is you, our members, and your benefit. As is true of all great success, it is our togetherness that makes us stronger, more resilient, and more capable of growth. At its core, that is what People Helping People is all about.

CHEERS, to you our members, our teams, and friends in the communities that we serve as we close another notable year and journey together toward even bigger, bolder goals in 2023!

*Toni Houck*  
**Toni Houck**  
 Board of Directors, Chair

*Tracie Wilcox*  
**Tracie Wilcox**  
 President and CEO

# LENDING REPORT AND FINANCIAL SUMMARY

## **New Year Provides a New Set of Challenges**

From start to finish, 2022 has proved to be as different as a pilsner vs a stout. In early 2022, we emerged from the hangover of the COVID pandemic to improving inventories, larger consumer savings accounts, low-interest rates, and a robust job market that proved fruitful to growth within the areas that we serve. New challenges emerged as the year progressed, where in the latter half of 2022 we saw an increasing cost of household goods, rising interest rates, diminished savings, and nationwide inflation rates north of 7%. As we have always done in our nearly 70 years in business, On Tap continued to offer needed support to our membership and community base in changing economic times.

## **Continued Loan Growth With Noticeable Gains in All Lending Channels**

Early 2022 proved much like 2021 with continued success in the residential real estate market. Low rates in the first half of '22 further drove the home purchase boom as members continued to take advantage of options to upgrade to new homes or update existing homes. One area that On Tap promised to address was housing affordability through partnership with local organizations to provide more options for members. On Tap stood behind their word and 20% of the home loans in 2022 were provided to low-income borrowers, allowing them the opportunity to become homeowners. On Tap is now an approved lender of the Colorado Housing and Finance Authority (CHFA). This will allow On Tap to deliver more affordable home financing options to our members in 2023.

In consumer lending, supply chain issues started to subside in 2022 with additional inventory becoming available and the auto market remaining strong through the first three quarters of the year. 2022 saw multiple upgrades to our consumer loan platform that have created additional efficiencies and an improved member experience. We also updated our consumer credit scoring model to allow for a more inclusive approach to loan decisions, expanding available credit to the consumers that we serve.

On Tap's commercial loan program saw its most successful year to date, with over \$10 MM in loans and referrals funded. From small business lines of credit, to business credit cards, term loans, and commercial real estate, On Tap's commercial product set is robust and competitive within our Front Range/Denver MSA footprint.

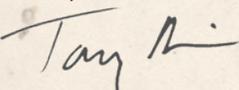
## **Remembering Our Roots**

2022 saw On Tap Credit Union continue to pour it forward by further driving our relationships with Colorado's robust craft brewing community as we remain committed to our beer-based origins that began in the basement of Coors Brewing Company. While not our sole commercial focus, On Tap is proud to partner with and make products available for those that support our state's 425 breweries. We also continue to enjoy a relationship with the Colorado Brewers Guild in supporting our state's beer industry. In 2022, On Tap began administering an educational series in partnership with Metropolitan State University's School of Hospitality Brewing Program, helping to pave the business financial acumen of future brewery owners.

## **Year End Summary**

While 2022 proved challenging, On Tap continued its upward growth trajectory with more than 22% in annualized loan growth. Consumer loan production grew 18% or \$11.73 MM, residential loan production grew 28% or \$39.11 MM, and commercial lending grew 30% or \$6 MM. After single-digit percentage loan growth from 2017-2020, On Tap is now coming off its second consecutive year of double-digit loan growth in 2022. Net income for the year finished slightly above \$2.23 MM. Current delinquency levels continue to remain low and are below peers. The provision for loan losses remains robust at \$900k at year-end 2022, but additional changes will be coming in 2023 as we see CECL requirements take hold across the credit union landscape. Recoveries finished the year at 54% of loan charge-offs. On Tap's loan-to-share ratio finished the year at 94%.

As the year has changed, the one constant at On Tap is our unwavering goal of crafting solutions uniquely for you – whether you are a pilsner or stout lover, or prefer something entirely different like water or soda - we are here for you. People Helping People.



Tony Nieto  
Vice President of Lending

# THE FINANCIALS

## COMPARATIVE FINANCIAL STATEMENT

For the years ended December 31, 2022 and 2021.

in ('000s)

|  | 2022              | 2021              |
|--|-------------------|-------------------|
| <b>ASSETS</b>                          |                   |                   |
| Loans Outstanding                      | \$ 298,405        | \$ 242,658        |
| Investments                            | 36,194            | 124,136           |
| Land, Building and Other Fixed Assets  | 3,850             | 3,900             |
| Other Assets                           | 32,639            | 1,637             |
| <b>TOTAL ASSETS</b>                    | <b>\$ 371,088</b> | <b>\$ 372,331</b> |
| <b>LIABILITIES AND CAPITAL</b>         |                   |                   |
| Member Shares and Deposits             | 317,402           | 329,304           |
| Total Borrowings                       | 20,571            | 8,071             |
| Other Liabilities                      | 3,667             | 2,523             |
| <b>TOTAL LIABILITIES</b>               | <b>\$ 341,640</b> | <b>\$ 339,898</b> |
| <b>TOTAL CAPITAL</b>                   | <b>\$ 29,449</b>  | <b>\$ 32,433</b>  |
| <b>TOTAL LIABILITIES AND CAPITAL</b>   | <b>\$ 371,088</b> | <b>\$ 372,331</b> |
| <b>INCOME</b>                          |                   |                   |
| Interest on Loans                      | 10,948            | 9,754             |
| Interest on Investments                | 553               | 435               |
| Other Income                           | 4,400             | 4,477             |
| <b>TOTAL INCOME</b>                    | <b>\$ 15,901</b>  | <b>\$ 14,666</b>  |
| <b>PROVISION FOR LOAN LOSSES</b>       | <b>\$ 47</b>      | <b>\$ 59</b>      |
| <b>INTEREST EXPENSE</b>                |                   |                   |
| Member Shares and Deposits             | 1,088             | 1,111             |
| Interest on Borrowed Money             | 142               | 182               |
| <b>TOTAL INTEREST EXPENSE</b>          | <b>\$ 1,230</b>   | <b>\$ 1,293</b>   |
| <b>OPERATING EXPENSES</b>              |                   |                   |
| Compensation and Benefits              | 5,997             | 5,630             |
| Operating Expenses                     | 4,694             | 3,980             |
| Other Expense Including Occup and Depr | 1,695             | 1,685             |
| <b>TOTAL NON-INTEREST EXPENSES</b>     | <b>\$ 12,386</b>  | <b>\$ 11,295</b>  |
| <b>NET INCOME</b>                      | <b>\$ 2,238</b>   | <b>\$ 2,019</b>   |

On Tap Credit Union remains safe, sound, and secure. Your deposits are federally insured up to \$250,000 by the National Credit Union Share Insurance Fund and are backed by the full faith and credit of the U.S. Government, just as the FDIC does for bank deposits. No credit union member has ever lost a dime of federally insured funds. IRA shares are separately insured up to \$250,000.

## AUDIT COMMITTEE ANNUAL REPORT

The Audit Committee works to guarantee the financial safety and soundness of On Tap Credit Union and to protect the assets of the credit union's membership. The Audit Committee is a subcommittee of the Board of Directors and ensures that On Tap Credit Union adheres to established policies and procedures and conducts business in the members' best interests. The Audit Committee's responsibilities are to verify that records are accurately maintained and to review the credit union's internal controls. The committee members also attend training sessions regarding auditor roles and their fiduciary responsibilities. This allows the committee to determine whether management's activities are carried out in accordance with credit union policies and procedures, as well as Federal and State regulations.

### • Opinion Audit of Financial Statements and Member Verification

To meet the requirements of the National Credit Union Administration and State of Colorado Department of Regulatory Agencies, the committee retains a third-party independent audit firm to perform annual opinion audits of the credit union's financial statements and member account verifications. That firm is in the process of conducting an audit on the credit union's 2022 financial statements, which should be completed by March 31st.

The Audit Committee has also reviewed the regulatory examination performed by the State of Colorado Division of Financial Services. Examiner findings were not material and have been addressed.

### • Internal Audit of Agreed Upon Procedures

In 2022 the Audit Committee engaged SingerLewak, LLP to perform internal audits of the credit union's operating and accounting policies and processes, including Bank Secrecy Act compliance. These audits are held quarterly, and no significant deficiencies were identified.



### Contact Information

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## 2022 BOARD OF DIRECTORS

**Toni Houck**  
*Chair*

**Kirsten Johnson**  
*Vice Chair*

**David Engle**  
*Secretary/Treasurer*

**Norm Cramer**  
*Board Member at Large*

**Ken Hehir**  
*Board Member at Large*

**Dan Sung**  
*Board Member at Large*

**Dean Valdez**  
*Board Member at Large*

## 2022 SENIOR MANAGEMENT

**Tracie Wilcox**  
*President/Chief Executive Officer*

**Amy Phillips**  
*Chief Financial Officer*

**Chris Bokovitz**  
*Chief Information Officer*

**Janelle Herrera**  
*VP of Marketing and  
Business Development*

**Laurie Jensen**  
*VP of Member Engagement  
& Retail Delivery*

**Tony Nieto**  
*VP of Lending*

**Daisy Perez**  
*Executive*

**Verna Kay**  
*Snr. Director of  
Cultural Stewardship*

## 2022 AUDIT COMMITTEE MEMBERS

**David Engle**  
*Chair*

**Kirsten Johnson**  
**Norm Cramer**

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