

# ANNUAL REPORT 2018



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Tel: (309) 621-7930 or (800) 274-0209

3927 N. University Street  
Suite C  
Peoria, IL 61614

# BUSINESS AGENDA

- I. Call to Order
- II. Determination of Quorum
- III. Approval of the 82nd Annual Meeting Minutes
- IV. Chairman's Report
- V. Credit Manager's Report
- VI. Supervisory Committee's Report
- VII. Treasurer's Report
- VIII. Unfinished/New Business
- IX. Election of Directors
- X. President's Report
- XI. Prizes
- XII. Adjournment

# Minutes of the 82nd Annual Meeting of Shareholders

## Minutes of the 82nd Annual Meeting of Shareholders

### Welcome

The Shareholders of Cooperative Choice Network Credit Union met at 3927 N. University Street, Suite C, Peoria, IL pursuant to written notice. Those members and guests in attendance were welcomed by Chairman Art Rohman.

### Call to Order

The 82<sup>nd</sup> meeting was called to order by Chairman Art Rohman at 5:00PM on March 20, 2018, at 3927 N. University St., Suite C for our regular annual meeting.

### Introduction of Board Members and Credit Union Officers Present

Board Members Present: Art Rohman, John Machens, Kathy Rennick, Lou McMurray, Steve Friedman, Pat White and Marci McCann.

Credit Union Officers Present: Tory Eckstein, Katie Fehl, Joe Webb, and Julie Hoffman. Tootie Holmes from the IECFCU Division was also present.

### Declaration of Legal Meeting

Secretary Pat White reported that a quorum of 20 members is required. We have 34 members present. We have 13,945,476 of 21,288,586 or 60% of member shares outstanding represented in person or by proxy. Therefore, was declared a legal meeting.

### Adoption of an Agenda for the Business Meeting Portion of this meeting

There is a proposed agenda printed and included in the annual report. There was a motion from the floor to accept the printed business agenda. There was a second from the floor. Motion carried.

### Reading of the minutes for last year's annual meeting

The minutes of last year's meeting were printed and distributed with the program. There was a motion from the floor to dispense with the reading of those minutes and approve as printed. These was a second from the floor. Motion carried.

### Board Chairman's Report - Art Rohman, Board Chair

A full report is written in the report distributed. The Board Chair mentioned the continued strong financials of the credit union, as well as the new and enhanced products and services that has come along with the new Network Credit Union.

The credit union continues supporting the community, including The Children's Miracle Network, St. Jude, JDRF, Easter Seals, Komen's Race for the Cure, Home for Veterans, CU House and ICU Foundation.

### Credit Manager's Report- John Machens, Credit Manager

A full written report has been submitted and printed in the distributed report. At the end of 2017, over 8,500 loans representing the total outstanding loan balance of over \$66 million net of allowance for loan loss increased \$10 million from 2016. \$7.5 million was brought in by the merger.

68% of the outstanding loan balances are vehicle and other secured, 14% real estate, 6% credit cards, and 12% other unsecured. As of December 31, 2017, 489 members participated in the indirect dealer program with \$8.8 million outstanding in new and used loans. Special thanks was given to the lending staff at the credit union for their work and assistance to members.

### Treasurer's Report- Lou McMurray, Treasurer

A written report was submitted and printed in the Annual Report distributed. Due to the merger, we had an \$11 million growth in assets during 2017 with shares growing over \$8 million and outstanding loans of over \$7.5 million. The credit union remains "well capitalized" at 14.57% net worth. The average for credit unions in our peer group is 7%. The financials of the credit union are reviewed monthly to watch for any new trends that may need to be addressed to continue to protect each member's assets.

### Supervisory Committee's Report- Kathy Rennick, Supervisory Committee Chair

A written report has been submitted and is included in the report distributed. Our regulators the Illinois Department of Financial and Professional Regulation conducted their exam of the credit union as of March 31, 2017. Our annual audit performed by the CPA firm, did not identify any areas of deficiencies considered to be a material weakness in internal controls. The independent accounting firm also conducted the annual audit as well as the required BSA audit. The SVP of Compliance and Risk Management, Julie Hoffman provides monthly reports to the Board of Directors on behalf of the Supervisory Committee. A Cybersecurity Risk Assessment was performed and a Cybersecurity review is scheduled for 2018.

**Motion from the floor to accept the reports. There was a second. Motion carried.**

### Unfinished/New Business - None

### Election of Directors - Steve Friedman on behalf of Nominating Committee Chair Pat White

In accordance with the bylaws, three nominees were presented to fill three-year terms. The nominees were John Machens, Mike Fiddes, and Marci McCann. In addition, Steve Jennings was nominated to serve a three-year term 2018-2021 and Steve Lucas was nominated to serve a two-year term 2018-2020. Also in accordance with the bylaws, the secretary shall cast a unanimous ballot for the slate of nominees. 13,945,476 voting shares presented in person or by proxy for each nominee was cast and it was declared they were elected as directors. All Board Members will take their Oath of Office at the Credit Union's organizational meeting, which takes place immediately after the membership meeting.

### Report from CEO/President- Tory Eckstein

Tory thanked the Board of Directors and the Supervisory Committee for another year of service. The membership was also thanked on behalf of the staff and Board of Directors for their loyalty to their credit union.

### Prize Distribution

Each member received \$5 for attending the annual meeting. Three \$25 VISA gift cards were given out and the grand prize of a \$50 VISA gift card was given to Cherri Watkins.

### Adjournment

There was a motion from the floor to adjourn. There was a second from the floor. Motion approved unanimously. Meeting adjourned at 5:20PM.

# REPORT TO MEMBERS

On behalf of the Board of Directors of Cooperative Choice Network Credit Union, I would like to welcome our members and guests to our Eighty Third Annual Meeting. This meeting is designed to provide you with an insight of your Credit Union's financial performance for 2018 and an opportunity to meet some of your elected volunteers. We would also like to consider it an excellent occasion to thank you – the member-owner for the success of this credit union. Thank you for your continued support as we celebrate 83 years.

	2018	2017
Assets	\$ 121,706,317	\$ 125,302,053
Savings	\$ 102,438,517	\$ 105,755,772
Loans	\$ 69,502,700	\$ 65,988,580
Reserves	\$ 18,645,747	\$ 18,185,460

The Board and Professional staff are pleased to report our solid financial performance for 2018. Delivering products and services to help improve your financial outlook and to provide you with exceptional service is what gives real meaning to “Where Membership Means More”. This supports the credit union's mission to efficiently provide solutions for members to meet their financial goals. Overall, the results for 2018 reflect how prudently the credit union acts to protect our members' financial assets, and how we strategically expand our products and services.

The financial services industry is constantly changing which is why the Credit Union believes it is important to stay up-to-date with products and services that allows all members access to their accounts.

New products and services this year included Digital Wallet services Apple Pay, Google Pay and Samsung Pay. Our Bill Pay was enhanced to allow for quicker payments, automatic bill payment, Account-to-Account and Person-to-Person transfers. Credit Sense became available in June allowing members to check and monitor their credit report and score regularly through online banking and the mobile app. The opportunity of earning rewards became available for debit cards late summer and became available for credit cards with the credit card conversion earlier this year.

We have finished our first calendar year as Illinois's first Network Credit Union. The credit union has allowed our member the unique experience of being a member of their own division while also experiencing the benefits of being a part of the network. This experience has not been without its challenges. However, with our dedicated volunteers and staff we have been able to make it a possibility. The credit union hopes to add more divisions in the near future.

The Credit Union continually supports The Children's Miracle Network, JDRF, Easter Seals, Home for Veterans, St Jude, CU House, ICU Foundation, and Komen's Race for the Cure.

For the Board of Directors,

*Arthur J. Rohman*, Chairman of the Board

# REPORT OF CREDIT MANAGER

The Credit Manager is appointed by the Board to provide general supervision of all loans and lines of credit to members subject to the Credit Union's policies and procedures, the Illinois Credit Union Act Rules & Regulations, and other regulatory agencies. The Credit Manager delegates approval authority by appointment of loan officers. With the help of our professional staff, the Credit Manager stays current on laws governing the credit union and the granting of credit. The Credit Manager must be familiar with the credit union lending and collection policies and procedures, and recommends changes to the policies to improve loan underwriting and collection efforts, which benefit our members as well as keep the credit union safe and sound.

Through advancement in technology, the credit union has made it as easy as possible for our members to obtain loans. Loan documents can be signed electronically through email anywhere in the world. Loan applications can be submitted on the credit union website at any time of day. Through our automated loan approval program, members can even be notified of their approval immediately when submitting loan requests. The credit union has also continued to grow our indirect loan program. Members can now obtain their auto loan right at 33 Central Illinois dealerships.

In 2019, the credit union will be creating our first ever Visa credit card rewards program. This will allow cardholders to earn points for every purchase they make using their credit union Visa card. The credit card can also be connected to the debit card, so reward points can accumulate quicker. Reward points can be redeemed for merchandise, gift cards, and even cash.

Cooperative Choice Network Credit Union has specifically focused on increasing the number and amount of loans outstanding our members have with the credit union. Loans are important to our organization because we like to put our pooled money from savers to work by helping members who need to borrow. The credit union keeps lending rates as low as possible to provide low-cost affordable loans for you, our members. Loan income receivable from members' loans is 80% of the credit unions interest income. Income from loans is used to help cover operating costs, dividends, and to invest back in other programs and innovations. During 2018, the credit union had various promotional events including one-day loan specials, auto refinance specials, and auto purchase specials. The credit union also ran Visa balance transfer promotions and a new cardholder promotion.

At the end of 2018, we had over 8,500 loans representing a total outstanding loan balance of almost \$70 million net of allowance for loan losses, an approximate increase of \$4 million from 2017. 68% of the outstanding loan balances are vehicle and other secured. Real estate makes up 13.6%, credit cards are 5.4%, and other unsecured are 13%. As of December 31<sup>st</sup>, 2018, 592 members participate in the indirect dealer program with \$10.1 million outstanding in new and used vehicle loans.

On behalf of the Lending Department and myself, thank you for allowing us to serve you and your lending needs in 2018.

Respectfully Submitted,  
*John Machens*, Credit Manager

# REPORT OF SUPERVISORY COMMITTEE

The Supervisory Committee is a volunteer committee comprised of Cooperative Choice Network Credit Union members and/or Board Members. The committee is appointed by the Board of Directors. The committee is responsible for ensuring the soundness of the credit union operations, safety of the members' deposits, and the fairness and legality of credit union policies and compliance with applicable state and federal regulations. Our 2018 Supervisory Committee was comprised of John German, Mike Fiddes, Steve Friedman, and myself, Kathy Rennick.

The committee fulfills their duties by attending meetings and overseeing internal reviews of the operations, account records and controls at Cooperative Choice Network Credit Union. In addition, we work closely with the Credit Union's Risk Management staff, our external auditors, and state and federal regulators. The Illinois Department of Financial and Professional Regulation (IDFPR) conducted a statutory examination of the books and records as of December 31, 2018. The committee must make or cause to be made an annual audit. The Committee selected the accounting firm of Selden Fox, Ltd with proven knowledge of credit union operations. The CPA firm performed the annual external audit combined with the annual Supervisory Audit as of December 31, 2018. The committee then works with the Board and Management to address any areas of concern identified by the audit. The audits did not identify any areas of deficiencies in internal control that were considered to be material weaknesses.

The committee must also verify members' accounts with the credit union records at least annually. That verification was done as part of the annual audit by the independent accounting firm on a negative and positive basis.

It is the opinion of this Committee that Cooperative Choice Network Credit Union records are satisfactory, that the policies and procedures set by the Board of Directors and management are being followed, and that the enclosed financial statement fairly represents Cooperative Choice Network Credit Union's audited financial position and results of operations for the year ended December 31, 2018.

In 2018, Cooperative Choice Network Credit Union underwent a Cybersecurity Review. This review assisted the credit union in identifying gaps in our current information security controls. The credit union actively detects, deters, and mitigates the risks that are associated in protecting your personal information from exposure.

On behalf of myself and the other members of the Supervisory Committee, it has been our pleasure to serve you.

Respectfully Submitted,

*Kathy Rennick*, Chairperson

# REPORT OF THE TREASURER

I am pleased to report that 2018 was another fantastic year for your credit union. Below is a recap of our financial results.

In 2018, the credit union finished the year with assets over \$121 million. Total member deposits were over \$102 million. Our members continued to choose the credit union for their lending needs and helped the loan portfolio reach over \$69.5 million in total loans outstanding, which is a 5.3% growth over the previous year.

Operating expenses were managed closely and maintained at \$4.3 million. Low operating expenses helps support the credit union's mission to efficiently provide financial solutions for members to help them meet their financial goals. The credit union's Net Income was over \$543 thousand, an increase of \$70 thousand from 2017. There was an increase to our Provision for Loan Losses funding, which increase by \$53 thousand from 2017. There was also an increase of over \$34 thousand in dividends paid to our members. The credit union also had increased expenses due to our Visa credit card conversion.

Even as market interest rates have been growing, we have upheld our philosophy to provide dividends throughout the year that are at or above average. We have continued our tiered dividend rate program and continued our Member Loyalty Program for Share Certificates. While maintaining our goals to keep our dividend rates high, it is equally important for the credit union to remain competitive offering lower than average loan rates.

Your credit union ended the year with a net worth of 15.44% compared to 14.57% in 2017. This is well above average for credit unions in our peer group and significantly higher than the regulatory "well capitalized" standard of 7% set for credit unions. This demonstrates our substantial financial strength.

The team at Cooperative Choice Network Credit Union continues to make decisions that protect our members' financial assets, while also looking into innovations to help our members reach all of their financial goals. Your membership means that you are an owner of the credit union. We work passionately to help all our members meet their financial goals. Your credit union is in excellent financial condition, and we look forward to continuing our great success in 2019.

Respectfully Submitted,

*I Lou McMurray, Treasurer*

Cooperative Choice Network Credit Union  
Consolidated Statements of Financial Condition  
December 31, 2018 and 2017

<b>ASSETS</b>	2018	2017
Cash and cash equivalents	\$ 1,710,193	\$ 2,925,744
Interest-bearing Deposits	43,365,951	48,234,179
Available-for-sale securities	2,865,479	3,702,775
Nonmarketable investments	250,000	250,000
Loans receivable, less allowance for loan losses	69,502,699	65,988,580
Property and equipment, net	2,296,618	2,389,962
Share insurance deposit	1,032,117	1,069,374
Accrued interest receivable	268,653	267,918
Prepaid expenses and other assets	414,607	473,521
	<u>121,706,317</u>	<u>125,302,053</u>
<b>TOTAL ASSETS</b>	<b>\$ 121,706,317</b>	<b>\$ 125,302,053</b>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' share accounts	\$ 102,438,517	\$ 105,755,772
Line of credit payable	55,906	892,298
Accrued expenses and other liabilities	566,147	468,523
<b>TOTAL LIABILITIES</b>	<b>103,060,570</b>	<b>107,116,593</b>
Members' Equity, partially restricted	18,645,747	18,185,460
	<u>121,706,317</u>	<u>125,302,053</u>
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$ 121,706,317</b>	<b>\$ 125,302,053</b>
 <b>CONSOLIDATED STATEMENTS OF INCOME</b>		
Year ended Decemeber 31, 2018 and 2017		
Interest Income:		
Loans Receivable	\$ 3,642,648	\$ 3,253,157
Investment and interest-bearing deposits	864,542	685,116
<b>Total Interest Income</b>	<b>4,507,190</b>	<b>3,938,273</b>
Interest Expense:		
Member Deposits	579,527	544,767
Borrowed Funds	29,492	383
<b>Total Interest Expense</b>	<b>609,019</b>	<b>545,150</b>
Provision for Loan Losses	414,000	361,000
<b>Net Interest Income after Provision for Loan Losses</b>	<b>3,484,171</b>	<b>3,032,123</b>
Non-Interest Income:		
Service fee income	562,036	573,471
Interchange income	581,873	490,817
Other	175,549	100,166
<b>Total Non-Interest Income</b>	<b>1,319,458</b>	<b>1,164,454</b>
Non-Interest Expenses:		
Compensation and benefits	1,638,691	1,389,731
Occupancy	233,949	199,846
Operations	2,389,826	2,127,233
<b>Total Non-Interest Expense</b>	<b>4,262,466</b>	<b>3,716,810</b>
<b>Net Income</b>	<b>\$ 541,163</b>	<b>\$ 479,767</b>
Other Comprehensive income (loss):		
Loss on available-for-sale securities	(1,306)	3,653
Gain (loss) on defined benefit health plan	(79,570)	(6,046)
<b>Total Other Comprehensive Loss</b>	<b>(80,876)</b>	<b>(2,393)</b>
<b>Net Comprehensive Income</b>	<b>\$ 460,287</b>	<b>\$ 477,374</b>

Audited consolidated financial statements are available from the Credit Union  
for the fiscal years ended December 31, 2018 and 2017  
To review statements or for more information, call (309)621-7930 or 800-274-0209

## CCNCU BOARD OF DIRECTORS

Arthur J. Rohman - Chairman, 30 years  
 John Machens - Vice-Chair and Credit Manager, 25 years  
 Pat White - Secretary, 20 years  
 I Louis McMurray - Treasurer, 41 years

### Supervisory Committee

Kathy Rennick - Chairperson, 6 years  
 John C. German, 48 years  
 Mike Fiddes, 8 years  
 Stephen Friedman, 5 years

### Board Members

Marcella McCann, 5 years  
 Steven Jennings, 1 year  
 Stephen Lucas, 1 year

## SENIOR MANAGEMENT

President	Tory J. Eckstein
EVP	Katie Fehl
SVP Finance	Joe Webb
SVP Risk/Compliance	Julie Hoffman

## MEMBERS CHOICE DIVISION EMPLOYEES

JJ	Wendell	Nicole	Crystal
Roxanne	Selina	Alex	Emily B
	Brittney	Nicholle	Emily P
Dria	Stephanie	Angie	Sara
Teresa	Sharon	Sonia	Emily K

## IECFCU Division Employees

Tootie Lisa

