

CONSERVATION EMPLOYEES' CREDIT UNION 2016 ANNUAL REPORT

Supervisory Committee Report

The Supervisory Committee is responsible for reviewing procedures and examining the business operations of the Conservation Employees' Credit Union (CECU). The Supervisory Committee met monthly throughout the past year and is happy to report another year of great performance by CECU leadership and employees.

Committee activities for 2016 included:

- Finished the process of bidding out the contract for outside auditing services. Stephen Lang & Associates offer was accepted and their services were retained.
- Stephen Lang & Associates was also engaged to complete an annual Bank Secrecy Act assessment for compliance.
- Reviewed random samplings of signature loans, collateralized and non-collateralized loans, and mortgage loans
- Checked CECU for compliance with the Office of Foreign Asset Control (OFAC)
- Conducted periodic surprise cash drawer audits
- Audited all consignment items
- Reviewed CECU employee monthly VISA bills
- Participated in the CECU annual planning session
- Maintained the "Supervisory Committee Internal Control Checklist" document. This is a living document that helps guide the Supervisory Committee through its duties and provides consistency with year to year reporting.
- Reviewed CECU vehicle expense records
- All Supervisory Committee members attended Bank Secrecy Act Compliance training
- Conducted physical equipment inventory audit

The Chairman of the Supervisory Committee or a substitute, if needed, attended the monthly Board meetings throughout the year. That member then shared pertinent information on the actions of the Board with the Supervisory Committee members for their review.

I would like to recognize Supervisory Committee Members Justine Gartner, Lindsey Evers, and Pat Vitello for their dedicated service on this committee throughout 2016. I would also like to thank CECU President Kevin Brueseke and his entire staff for their support and willingness to offer assistance to our committee whenever needed.

Best Regards,
Adam Wilbers
Supervisory Committee Chairman

Board of Directors
Charlie Nelson, Chairman
Denise Bateman, Vice-Chairperson
Rick Thom, Secretary/Treasurer
Sandy Payne, Director
Dennis Steward, Director
David Urich, Director
Tamie Yegge, Director

Supervisory Committee
Adam Wilbers, Chairman
Lindsey Evers, Member
Justine Gartner, Member
Pat Vitello, Member

Credit Union Staff
Kevin Brueseke, President
Cathy Adams, Vice Pres.of Operations
Kathy Kliethermes, Dir. of Office Admin
Jessica Stuenkel, Branch Manager
Maureen Ball, Loan Officer
Ronda LePage, Loan Officer
JoAnn Pointer, Loan Officer
Dawn Ellis, Card Services Coordinator
Stacia Peters, Call Center Rep.
Mike Kallenbach, Call Center Rep.
Carol Kimball, Loan Processor
Jean McKinley, Support Specialist
Sharon Bax, Call Center Clerk
Denise Willroth, Member Services Rep.
Tracy White, Member Services Rep.
Lisa Woodland, Member Services Rep.
James Gerling, Member Services Rep.
Mike Smith, Member Services Rep.
Roger Luebbert, Financial Advisor



Statement of Condition

| Assets | |
|-----------------------------|------------------|
| Loans to Members (net) | 77,496,447.72 |
| Non-Interest Earning Cash | 2,291,950.83 |
| Corporate/Overnight | 6,546,330.67 |
| Investments | 18,627,791.50 |
| Furniture/Equipment | 28,639.43 |
| Building/Land | 993,168.97 |
| Accrued Income | 187,036.73 |
| PrePaid & Deferred Expenses | 834,064.64 |
| NCUSIF Share Insurance | 930,958.18 |
| <u>Other Assets</u> | <u>25,747.21</u> |
| Total Assets | 107,962,135.88 |

Liabilities/Equity

| | |
|----------------------------------|---------------------|
| Dividends | 42,181.24 |
| Accts Payable/Other | 1,062,534.22 |
| Members' Shares | 34,850,855.45 |
| Members' Share Certificates | 23,940,700.52 |
| Members' Share Drafts | 13,910,625.61 |
| Members' Money Market Shares | 13,996,293.39 |
| Members' IRA Certificates | 4,762,331.66 |
| Members' IRA Shares | 5,409,223.06 |
| <u>Life Savings</u> | <u>53,964.27</u> |
| Total Shares | 98,028,709.42 |
| Unrealized Gain/Loss Investments | (193,700.23) |
| Pension Other Comprehensive | (514,557.54) |
| Regular Reserves | 3,161,143.70 |
| <u>Undivided Earnings</u> | <u>7,480,540.53</u> |
| Total | 9,933,426.46 |
| Total Liabilities/Members Equity | 107,962,135.88 |

Statement of Earnings

| Income | |
|----------------------------|------------------|
| Interest from Member Loans | 2,833,338.83 |
| VISA Interchange Income | 266,072.64 |
| Debit Interchange Income | 186,102.18 |
| Interest from Investments | 336,367.52 |
| Life and CDI | 70,074.04 |
| <u>Other Income</u> | <u>75,172.19</u> |
| Total Income | 3,767,127.40 |

Operating Expenses

| | |
|-------------------------------|------------------|
| Salary and Benefits | 1,200,647.55 |
| Office Operations | 197,265.73 |
| Office Occupancy | 38,262.55 |
| Travel & Conference | 34,218.85 |
| Supervision and Examinations | 13,923.91 |
| Loan Servicing | 415,827.56 |
| Professional Outside Services | 623,701.39 |
| Member's Insurance | 18,000.00 |
| Association Dues | 29,716.31 |
| Education/Marketing | 55,429.54 |
| Depreciation Expense | 68,869.85 |
| Provision for Loan Loss | 64,230.71 |
| (Gain)/Loss on Sale of Assets | 0 |
| <u>Misc.</u> | <u>53,263.48</u> |
| Total Operating Expenses | 2,813,357.43 |

Interest Expense

| | |
|-----------------------------|-------------------|
| Interest on Borrowed Money | 0 |
| Share/Sharedraft Dividends | 126,241.49 |
| Money Market Shares | 43,511.92 |
| IRA Shares and Certificates | 80,303.43 |
| <u>Share Certificates</u> | <u>245,827.38</u> |
| Total Cost of Funds | 495,884.22 |

Total Expenses 3,309,241.65

Net Income 2016

Net Income 457,885.75



Conservation Employees' Credit Union
2915 West Truman Blvd
P.O. Box 180, Jefferson City, Mo 65102-0180
573-522-4000, 888-897-2323



**Loan Report
2016 Business Year**

Conservation Employees' Credit Union assisted members during 2016 by loaning a total of \$29,564,901.06. The following data indicates the areas in which CECU assisted members during the year.

| <u>LOAN TYPE</u> | <u>NUMBER</u> |
|-------------------------|---------------|
| New Vehicles | 74 |
| Used Vehicles | 737 |
| Mortgage | 28 |
| Mortgage-10 yr. Balloon | 9 |
| Home Equity | 500 |
| Land Equity | 52 |
| Unimproved Land | 10 |
| Recreation | 96 |
| Farm/Industrial | 67 |
| LOC/Overdraft | 4,792 |
| Adjustable Rate LOC | 834 |
| Student | 230 |
| Consolidated Student | 13 |
| Share Secured | 25 |
| Signature | 343 |
| Co-Maker | 12 |
| Payday | 94 |
| Other | 4 |
| Total | 7,920 |

Conservation Employees' Credit Union is a financial cooperative owned by our members. Because our only purpose is to serve our members' financial needs, we have a strong incentive to make sure the services we offer are among the best available from any institution. We know that the more services our members use, the more benefits we can return to them – like better rates, quality service and more convenience.

One of the credit union's greatest challenges has always been geography. Our members live in every corner of the state. How can we provide the same level of convenience to someone in Hannibal or Joplin that we provide locally in Jefferson City?

Because of this challenge of geography, the focus of our board and management for the past several years has been improving our members' access to their credit union accounts. Several years ago, the credit union joined CO-OP, providing our members with access to their accounts at more than 30,000 ATMs and more than 5,400 credit union branches throughout North America. We also improved our data system and website and rolled out services like online banking/bill pay, an online loan application and mobile access.

In 2016, we continued our efforts to improve convenience by offering new services and improving existing ones.

We developed our own CECU mobile banking app, allowing our members to pay bills, transfer money, check balances, deposit checks and view transactions/copies of checks on their mobile devices. In addition, we also introduced the popular Android and Apple Pay programs for both debit and credit cards.

Another goal was to improve online bill pay. We switched to CheckFree RXP – a leading electronic billing and payments company used by more than 2,000 financial institutions. CheckFree makes it easier for members to pay their bills, view e-bills and maintain complete control over financial activities – all from the convenience of a computer or mobile device. Also included was Popmoney®, that allows members to send payments to individuals – friends, babysitters, contractors – anytime, anywhere. It's as fast and easy as sending a text message or email.

This new technology allows the credit union to be convenient to all our members, regardless of where they live or work, 24/7.

Security and fraud protection have become important issues in the past few years. Last year, we issued credit and debit cards with EMV chips to add another level of security to the cards.

The credit union's board and committee are volunteers elected by fellow members. To ensure all members have a voice in selecting credit union leadership, regardless of where they live, we introduced electronic balloting in 2016. We received positive comments about this new voting method. It also saved thousands of dollars in postage and printing costs.

Not all our service enhancements were focused on account access. We also partnered with Benefits Plus®, a new rewards program. Members enjoy discounts on gift cards, travel, entertainment, retailers, even health services. Members can also earn cash back from major retailers.

Credit Life Insurance was enhanced, and now includes terminal illness coverage.

We will continue to improve the services available to our members in 2017. One of these improvements is MobiMoney. This service gives members full control of their debit card usage, alerting them to potential fraud and empowering them to decide when, where and how their cards are used in real-time.

Another service enhancement is Credit Sense. Members signing on to Virtual Branch, our home banking program, will be able to see their current credit score and learn about any loan discounts and promotions the credit union is offering throughout the year.

Our members responded positively to last year's service enhancements. The credit union reached an all-time high in assets, nearly \$108 million. While many banks made credit harder to get, we continued to lend money to our members. Credit union loans grew by more than \$4.7 million, for a total of \$77.6 million in loans outstanding, another all-time high. We also set a high-water mark in the number of members we serve, just short of 8,000.

Since the credit union is owned by our members, the philosophy of our board and management has always been to return as much of our earnings as possible to the membership. Each year, Callahan & Associates – a company that provides data-based insights to credit unions – compares credit unions in various areas including Return Of The Member (ROM). ROM measures the value credit unions provide to their members, based on rates, fees charged and other factors.

CECU scored number one in the nation last year in the ROM category of one-branch credit unions with assets between \$75 and \$150 million! We are very proud of this accomplishment and will continue to retain our members-first philosophy.

The credit union strives to improve the quality of life in the communities where our members live. The credit union awarded six \$1,200 scholarships to high school and college students and donated funds for a variety of causes throughout the year.

We encourage parents and grandparents to refer young people to CECU. The credit union is the best place for their first financial accounts, including loans for their first vehicle, their first checking account, credit card or other financial services. Our youth clubs help young people learn about money, knowledge they can use throughout their lives.

We want to thank our members and our volunteer board and committee members for your continued support. We encourage you to take advantage of the unique benefits CECU offers and to tell your family members and co-workers about the benefits of membership at the credit union. If you have ideas and suggestions on how CECU can better serve your needs, please share them with us.

We hope your 2017 is happy and prosperous.

Respectfully submitted,

Charlie Nelson
Charlie Nelson
Chairman

Kevin D. Brueseke

Kevin Brueseke
President/CEO