

**FIFTY SIXTH ANNUAL MEETING OF MEMBERS
MARCH 14, 2019**

1. WELCOME AND CALL TO ORDER BY THE CHAIRPERSON
2. PROOF OF NOTICE OF THE MEETING TO BE INCORPORATED IN MINUTES BY THE SECRETARY
3. ROLL CALL AND DECLARATION OF QUORUM PRESENT (15 is a quorum)
4. READING OR CORRECTION AND APPROVAL OF THE MINUTES OF THE LAST ANNUAL MEETING (Page 2)
5. REPORT OF THE DIRECTORS BY THE CHAIRPERSON. (Page 3&4)
6. REPORT OF THE TREASURER. (Pages 5&6)
7. REPORT OF THE SUPERVISORY COMMITTEE. (Page 7)
8. SET COMPENSATION OF BOARD & COMMITTEE MEMBERS
9. OLD BUSINESS: NONE
10. NEW BUSINESS:
 - Election of Board Members – Two open positions (3 year term)
 - Election of Supervisory Committee Member – One open position (3 year term)
11. ANY OTHER BUSINESS
12. ADJOURN

DOOR PRIZES

FIRST PACE CREDIT UNION
MINUTES OF THE FIFTY FIFTH ANNUAL MEETING OF MEMBERS

Date: March 8, 2018

Place: Tinucci's Restaurant, Newport, MN

The meeting was called to order by Doug Krech at 6:30 P.M.
This was declared a legal meeting with 42 members present, 15 required.

The Proof of Notice of the meeting was read by Kevin Hoeschen and incorporated into the minutes.

ROLL CALL: Board & Committee members present: Doug Krech, Kevin Hoeschen, Dan Gerten, Quinton Vorhies, Mike Leopold, Mike Popek, Office Staff: Jennifer Tiedman, Stephanie Schwartz, Josh Heimer-Syring

1. The minutes of the last annual meeting were presented with no corrections or additions
2. The Board of Directors Report was given by D. Krech
3. The Treasurer's Report was given by D. Gerten
5. The Supervisory Committee Report was given by Q. Vorhies
6. Set compensation of Board & Committee members, presently at \$35/meeting. Motion made, seconded & approved to remain at the same rate.

OLD BUSINESS: None

NEW BUSINESS:

1. Elections were approved by unanimous ballot for Board of Directors and Supervisory Committee positions.

A: Three positions for the Board of Directors were up for election - one for a 3 year term, 1 for a remaining 1 year term and 1 for a remaining 2 year term. There was one nominee for each term: Kevin Hoeschen for 3 year; Dan Gerten for 1 year; Brian Ecker for 2 year. The Chair asked for nominations from the floor three times, for each term, and no further nominations came forward. Motion made, seconded, approved-Kevin Hoeschen, Dan Gerten and Brian Ecker were elected to their respective terms.

B: There was one position open for the Supervisory Committee and one nominee was on the ballot: Mike Leopold. The Chair asked for nominations from the floor three times and no further nominations came forward. Motion made, seconded, approved-Mike Leopold was elected to a three year term.

There being no further business the meeting was adjourned at 6:49 P.M.


Chairman


Secretary

FIRST PACE Credit Union

Annual Report of the Board of Directors For Year Ended December 31, 2018

As your elected officials it is our duty to keep members best interests in mind when reviewing aspects of our operations, so that profits can be shared with you. Those profits are in the form of better rates with fewer and lower fees than many others. Board meetings were held to review financials, keep up to date on regulatory issues, approve any new policies or changes to them, set dividend and loan rates, review Bond coverage, create a budget, and to keep up with industry trends.

During the year we converted our website for a more user-friendly experience which is also now mobile friendly. Our website contains valuable information about us, our products and services with informational links that may help you financially. If you haven't already, sign up for our email News & Specials to get our latest promotions and announcements, to participate in our Annual Survey and a chance to win \$10.

We encourage you to download our TouchBanking App so you can monitor your balances on the fly, be notified by text if your set dollar threshold has been exceeded, or to deposit a check. You no longer have to visit our office to bank, although we enjoy meeting you in person!

Those who use FIRST PACE products and services recognize the value of membership whether it be saving for the future, actively using our free checking account, or taking out a low rate loan to enjoy life more. Attached is a listing of services we offer directly, or through our partners, and we hope you will consider FIRST PACE Credit Union as your first place for financial service.

As your trusted partner, making your financial life easier to manage is what FIRST PACE is all about - people helping people. Tell your co-workers and family about us, so they too can enjoy the benefits of membership. We want to hear from you so call or stop in the office and let Jennifer, Stephanie or Josh help you on the road to financial security.

Your elected Board of Directors:

Doug Krech, Chairperson

Kevin Hoeschen, Vice Chairperson

Deb Spiess, Secretary

Dan Gerten, Treasurer

Brian Ecker, Board Member

What Your Credit Union Offers

Locally owned and operated with personalized service

Free Checking Account (no minimum balance or required # of transactions)

Free VISA Debit/ATM cards

Mobile banking via APP or text, including Check Deposit

Share Savings Account – for you and your family

Money Market Account

Youth Savings & Loan Accounts

Club Accounts – for vacation, Christmas or budgeting

Term Share Certificates of Deposit

Online Banking (Virtual Branch)

Free Online Bill Pay

Online statements (EZ-Statements) with 18-month history

Vehicle/motorcycle loans

Loans for recreational vehicles, boats and campers – with flexible terms

Home Equity Loans (An Equal Housing Lender)

Signature loans

Share secured loans

Private Student Loans – SallieMae Smart Option Student Loan®

Payment Protection Insurance

Extended Warranties

GAP (Guaranteed Asset Protection)

VISA Credit Cards

Auto Resource Center – Find, Drive, and Save

Direct Deposit distributed any way you want it

Lifetime membership

Federal insurance on accounts to at least \$250,000

Free Notary service for members

VISA Gift Cards

VISA Reloadable cards

NADA vehicle pricing

CARFAX Report

A real person to answer the phone – no phone tree

Through our ownership of **The Servion Group** -

First Mortgages

Realty Services

Title

Investment services/Financial Advisors

Business Lending

Through our partner **CUNA Mutual Group** –

Auto & Homeowners Insurance

Term & Whole Life Insurance

AD&D Insurance

Our relationship with **First Class Mortgage**

FIRST PACE Credit Union

Annual Report of the Treasurer For Year Ended December 31, 2018

As in previous years 2018 brought changes to our financial picture with a few factors listed here:

- The Loan portfolio increased over 14% reaching the \$6,000,000 mark for the first time. The ratio of Borrowers to Members was at 31.84% which means many more members should take the opportunity to utilize our loan products.
- Share balances decreased during the year and we paid competitive dividends on Share Accounts, Money Market Accounts and Term Share Certificates (CD's).
- Expenses were monitored and kept reasonable, having a ratio of Operating Expenses to Gross income of 79.45%.
- Provision for Loan Loss Expense was increased due to non-performing loans and anticipated losses. Unexpected losses were attributed to delinquencies and Bankruptcy filings.

FIRST PACE Credit Union had net income of \$35,125 and we maintain a strong Net Worth ratio of 20.10%, well above industry peers and regulatory requirements. This financial strength allows us to keep loan rates low while covering operating expenses and paying a competitive dividend on Share Accounts. Expenses and ratios are monitored monthly and have consistently performed better than industry peers. And our earnings? They belong to our members and we put them right back to work in the form of better rates to lower fees.

Whether a vehicle, boat or mortgage, borrowers were able save by taking advantage of our fair lending rates, various loan promotions and Skip-A-Payment offers. Payment protection, GAP and Extended Warranties always add value for members and create additional income to the credit union. Depositors saw returns averaging .04% to .65% better than banks and members are allowed access to financial products offered only to credit union members.

A year to year comparison is found on the next page for your review. All accounts at FIRST PACE Credit Union are insured to at least \$250,000.00 by the National Credit Union Administration.

Respectfully submitted: *Dan Gerten, Treasurer*

FIRST PACE Credit Union

| Run: 02/15/2019 | 12/31/2017 | 12/31/2018 | \$ Variance | % Variance |
|-------------------------------------|---------------------|---------------------|---------------------|--------------|
| Total Loans | 5,529,200.05 | 6,311,035.25 | 781,835.20 | 14.14 |
| Allowance for Loan and Lease Loss | (33,929.77) | (41,602.40) | (7,672.63) | 22.61 |
| Net Loans Outstanding | 5,495,270.28 | 6,269,432.85 | 774,162.57 | 14.09 |
| Cash | 181,434.65 | 52,285.51 | (129,149.14) | -71.18 |
| Total Investments | 3,071,623.57 | 2,326,608.01 | (745,015.56) | -24.25 |
| Prepaid & Deferred Expenses | 20,975.78 | 13,811.64 | (7,164.14) | -34.15 |
| Fixed Assets (Net of Depreciation) | 8,530.65 | 21,892.07 | 13,361.42 | 156.63 |
| NCUSIF | 70,285.67 | 71,397.90 | 1,112.23 | 1.58 |
| All Other Assets | 39,859.28 | 41,254.89 | 1,395.61 | 3.50 |
| TOTAL ASSETS | 8,887,979.88 | 8,796,682.87 | (91,297.01) | -1.03 |
| Accounts Payable | 7,037.16 | 6,929.56 | (107.60) | -1.53 |
| Dividends Payable | 514.24 | 536.73 | 22.49 | 4.37 |
| All Other Liabilities | 8,459.03 | 7,015.40 | (1,443.63) | -17.07 |
| TOTAL LIABILITIES | 16,010.43 | 14,481.69 | (1,528.74) | -9.55 |
| TOTAL SHARES | 7,138,683.14 | 7,013,789.68 | (124,893.46) | -1.75 |
| Regular Reserve | 226,490.89 | 226,490.89 | | 0.00 |
| Undivided Earnings | 1,506,795.42 | 1,541,920.61 | 35,125.19 | 2.33 |
| TOTAL EQUITY | 8,871,969.45 | 8,782,201.18 | (89,768.27) | -1.01 |
| TOTAL LIABILITIES AND EQUITY | 8,887,979.88 | 8,796,682.87 | (91,297.01) | -1.03 |

--YEAR - TO - DATE FIGURES--

| | 12/31/2017 | 12/31/2018 | \$ Var | % Var |
|--|------------|------------|------------|---------|
| Total Loan Income | 259,839.58 | 277,190.96 | 17,351.38 | 6.68 |
| Net Loan Income | 259,839.58 | 277,190.96 | 17,351.38 | 6.68 |
| Total Investment Income | 44,531.33 | 59,389.61 | 14,858.28 | 33.37 |
| Total Interest Income | 304,370.91 | 336,580.57 | 32,209.66 | 10.58 |
| Interest on Deposits | 18,652.61 | 21,829.10 | 3,176.49 | 17.03 |
| Interest On Borrowed Money | | 90.40 | 90.40 | 0.00 |
| Total Interest Expense | 18,652.61 | 21,919.50 | 3,266.89 | 17.51 |
| Net Interest Income | 285,718.30 | 314,661.07 | 28,942.77 | 10.13 |
| Provision For Loan Loss Expense | 10,111.88 | 22,817.16 | 12,705.28 | 125.65 |
| Net Interest Income after Provisions | 275,606.42 | 291,843.91 | 16,237.49 | 5.89 |
| Compensation | 121,729.36 | 124,085.99 | 2,356.63 | 1.94 |
| Pension | 6,341.46 | 6,459.30 | 117.84 | 1.86 |
| Employee Benefits | 15,272.68 | 16,067.55 | 794.87 | 5.20 |
| Travel & Conference | 9,198.39 | 8,289.19 | (909.20) | -9.88 |
| Association Dues | 4,218.00 | 5,189.00 | 971.00 | 23.02 |
| Office Occupancy | 19,934.15 | 20,052.82 | 118.67 | 0.60 |
| Office Operations | 87,204.23 | 89,585.96 | 2,381.73 | 2.73 |
| Education & Promotion | 7,695.41 | 9,590.55 | 1,895.14 | 24.63 |
| Loan Servicing | 3,150.92 | 2,472.45 | (678.47) | -21.53 |
| Professional & Outside | 7,714.00 | 6,399.25 | (1,314.75) | -17.04 |
| Examination Fees | 2,280.00 | 3,705.00 | 1,425.00 | 62.50 |
| Cash Over & Short | 40.00 | | (40.00) | 0.00 |
| Annual Meeting | 2,550.00 | 2,550.00 | | 0.00 |
| Depreciation Expense-Furniture, Fixtures | 4,728.35 | 8,702.44 | 3,974.09 | 84.05 |
| Total Operating Expenses | 292,056.95 | 303,149.50 | 11,092.55 | 3.80 |
| Fees & Charges | 14,141.39 | 19,477.98 | 5,336.59 | 37.74 |
| Other Income | 19,036.21 | 20,034.46 | 998.25 | 5.24 |
| Income From Share Insurance Fund | | 5,460.59 | 5,460.59 | 0.00 |
| Total Other Operating Income | 33,177.60 | 44,973.03 | 11,795.43 | 35.55 |
| (Gain) / Loss on Sale Of Investments | 39.65 | | (39.65) | 0.00 |
| (Gain) / Loss on Sale Of Assets | 3,150.00 | (1,457.75) | (4,607.75) | -146.28 |
| Total Non-Operating Income | 3,189.65 | (1,457.75) | (4,647.40) | -145.70 |
| Net Income | 13,537.42 | 35,125.19 | 21,587.77 | 159.47 |

FIRST PACE Credit Union

Annual Report of the Supervisory Committee For Year Ended December 31, 2018

It is the purpose of the Supervisory Committee to determine that the Board of Directors, President and office staff conduct credit union business in the best interest of its members, and in a manner acceptable to the state and federal controlling authorities. This is accomplished by monthly and periodic audits with quarterly and semi-annual reports filed with the Minnesota Department of Commerce and the National Credit Union Administration.

FIRST PACE Credit Union is regulated by the Minnesota Department of Commerce which conducts an examination of the credit union operations within every 18 to 24 month period. Their Report of Examination is reviewed and responded to by your Board of Directors, Committee Members and President. The most recent exam was completed in 2018 garnering us a high rating, and we continue as a strong, sound financial institution. Our practice of safety and soundness with a high Net Worth give no cause for supervisory concern.

It is the opinion of this committee that the handling of the credit union affairs has been in keeping with generally accepted accounting standards and in the best interest of its members.

Respectfully submitted: *Mike Leopold, Chairperson*

Quinton Vorhies

Mike Poppek