

**FIFTY FOURTH ANNUAL MEETING OF MEMBERS  
MARCH 11, 2017**

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 AND APPROVAL, 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:
    - A. ELECTION OF OFFICERS FOR TWO BOARD POSITIONS AND ONE SUPERVISORY POSITION.
  11. ANY OTHER BUSINESS
  12. ADJOURN
- DOOR PRIZES

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

Date: March 19, 2016

Place: American Legion Post 98, St. Paul Park, MN

The meeting was called to order by Doug Krech at 6:00 P.M.  
This was declared a legal meeting with 46 members present, 15 required.

The Proof of Notice of the meeting was read by Deb Spiess and incorporated into the minutes.

ROLL CALL: Board & Committee members present: D. Krech, Q. Vorhies, K. Hoeschen, D. Spiess, K. Arndt, A. England, Office Staff: J. Tiedman, J. Heimer-Syring

1. The minutes of the last annual meeting were approved as presented.
2. The Board of Directors Report was given by D. Krech
3. The Treasurer's Report was given by Q. Vorhies
5. The Supervisory Committee Report was given by K. Arndt
6. Set compensation of Board & Committee members, presently at \$35/meeting. Motion made, seconded & approved to remain at the same rate.

OLD BUSINESS: None

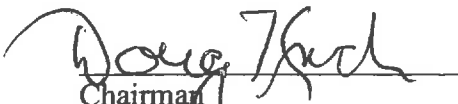
NEW BUSINESS:

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

A: Two position for the Board of Directors were up for election and two nominees were on the ballot: Doug Krech and Kay Arndt. The Chair asked for nominations from the floor three times and no further nominations came forward. Motion made, seconded, approved-Doug Krech and Kay Arndt were each elected to a three year term.

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

There being no further business the meeting was adjourned at 6:15 P.M.

  
Chairman

  
Secretary

# **FIRST PACE Credit Union**

## **Annual Report of the Board of Directors For The Year Ended December 31, 2016**

A warm welcome to all of you tonight and thank you for coming to FIRST PACE Credit Union's 54<sup>th</sup> Annual Meeting. As your elected officials, we keep members best interest in mind when reviewing aspects of operations and maintaining an interest rate spread with income sufficient to cover operating costs and contribute to capital growth.

Our savings and loan products were designed to help you keep more money in your pocket using fair & competitive rates. Those who use FIRST PACE products and services, CU Companies and CUNA Mutual Insurance, recognize the full benefit of membership whether it be saving for the future, actively using our free checking account, or taking out a loan to meet needs and enjoy life more. Attached is a listing of services we offer directly or through our partners, which you are eligible to use as a benefit of being a FIRST PACE Credit union member.

Our website contains valuable information about us, our products & services, announcements, promotions and links that may help you financially. If you haven't already, sign up for our email News & Specials to get our latest promotions, announcements, participate in our Annual Survey and a chance to win \$10.

We value your comments & suggestions throughout the year and results from our Annual Survey help us evaluate programs and services. As your trusted partner, making your financial life easier to manage is what our credit union is all about, people helping people.

We are a solid, well-respected financial institution, with a dedicated and knowledgeable staff, ensuring members are our first priority! We ask for your commitment to FIRST PACE Credit Union by using our products and services and making us your primary financial partner. Call or stop in the office and let us help you on the road to financial security.

Your Board of Directors: *Doug Krech, Chairperson*  
*Kevin Hoeschen, Vice Chairperson*  
*Kay Arndt, Secretary*  
*Deb Spiess, Treasurer*  
*Gary Martinez, Board Member At Large*

## **What FIRST PACE Credit Union Offers**

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

Free VISA Debit/ATM cards

**Mobile Banking** including Check Deposit from your phone right to your checking account

Share Savings Account - for you and your family

Money Market Account

Club Accounts - for vacation, Christmas or budgeting

Term Share Certificates of Deposit

Free Online Banking (Virtual Branch)

Free Online Bill Pay

**Online 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)

Direct Deposit distributed any way you want it

Lifetime membership

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

Free Notary service

VISA Gift Cards

VISA Reloadable cards

NADA vehicle pricing

AFLAC Cancer Coverage & Supplemental Dental

A real person to answer the phone-no phone tree

Through our ownership of **CU Companies** –

First Mortgages

Realty

Title

Investment services

Business Lending

Through our partner **CUNA Mutual Group** –

Auto & Home owners insurance

Term & Whole Life Insurance

AD&D Insurance

# **FIRST PACE Credit Union**

## **Annual Report of the Treasurer For The Year Ended December 31, 2016**

Dear Member,

The year 2016 was interesting and challenging for your credit union with some factors listed here:

- Although the Loan portfolio increased just over 1%, loan income was down almost 5% due to the continued low interest rate environment.
- Our Investment portfolio decreased but had increased income due to prudent investment choices and a CU Companies dividend of \$4473.
- Share balances decreased during the year but we paid competitive dividends on various accounts, increasing value to members by over 5% from 2015.
- Loan losses hit us hard with an additional \$15,950 accrued in our Provision for Loan Loss Expense over 2015. Unexpected losses were attributed to delinquencies and higher than normal Bankruptcy filings.

FIRST PACE Credit Union did sustain a net loss last year of \$8500 but we still maintain a strong Net Worth ratio of 19.63%, well above industry peers and regulatory requirements. This financial strength allows us to keep loan rates low, while still paying a competitive dividend on Share Accounts and covering operating expenses. Income, expenses and ratios are monitored monthly and have consistently performed better than industry peers.

Borrowers were able save on their loans 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 .06% to .25% better than banks and allow 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: *Deb Spiess, Treasurer*

# FIRST PACE Credit Union

	12/31/2015	12/31/2016	\$ Variance	% Variance
Total Loans	5,537,321.31	5,597,085.80	59,764.49	1.08
Allowance for Loan and Lease Loss	(39,472.22)	(31,173.33)	8,298.89	-21.02
Net Loans Outstanding	5,497,849.09	5,565,912.47	68,063.38	1.24
Accounts Receivable		878.80	878.80	N/A
Cash	116,303.26	142,447.94	26,144.68	22.48
Total Investments	3,279,052.35	2,917,970.04	(361,082.31)	-11.01
Prepaid & Deferred Expenses	18,131.02	10,069.83	(8,061.19)	-44.46
Fixed Assets (Net of Depreciation)	17,110.58	9,553.51	(7,557.07)	-44.17
NCUSIF	68,654.41	72,912.60	4,258.19	6.20
All Other Assets	38,953.76	41,356.25	2,402.49	6.17
<b>TOTAL ASSETS</b>	<b>9,036,054.47</b>	<b>8,761,101.44</b>	<b>(274,953.03)</b>	<b>-3.04</b>
Accounts Payable	7,972.25	7,511.33	(460.92)	-5.78
Dividends Payable	492.35	551.18	58.83	11.95
All Other Liabilities	8,612.17	5,257.23	(3,354.94)	-38.96
<b>TOTAL LIABILITIES</b>	<b>17,076.77</b>	<b>13,319.74</b>	<b>(3,757.03)</b>	<b>-22.00</b>
<b>TOTAL SHARES</b>	<b>7,290,746.36</b>	<b>7,028,067.15</b>	<b>(262,679.21)</b>	<b>-3.60</b>
Regular Reserve	226,490.89	226,490.89		0.00
Unrealized Gain(Loss) on Investments	(26.98)	(34.34)	(7.36)	27.28
Undivided Earnings	1,501,767.43	1,493,258.00	(8,509.43)	-0.57
<b>TOTAL EQUITY</b>	<b>9,018,977.70</b>	<b>8,747,781.70</b>	<b>(271,196.00)</b>	<b>-3.01</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>9,036,054.47</b>	<b>8,761,101.44</b>	<b>(274,953.03)</b>	<b>-3.04</b>

### --YEAR - TO - DATE FIGURES--

	12/31/2015	12/31/2016	\$ Var	% Var
Total Loan Income	280,832.81	267,153.81	(13,679.00)	-4.87
Net Loan Income	280,832.81	267,153.81	(13,679.00)	-4.87
Total Investment Income	41,087.64	47,835.84	6,748.20	16.42
Total Interest Income	321,920.45	314,989.65	(6,930.80)	-2.15
Interest on Deposits	18,420.57	19,419.80	999.23	5.42
Interest On Borrowed Money		3.42	3.42	0.00
Total Interest Expense	18,420.57	19,423.22	1,002.65	5.44
Net Interest Income	303,499.88	295,566.43	(7,933.45)	-2.61
Provision For Loan Loss Expense	22,207.01	38,157.13	15,950.12	71.82
Net Interest Income after Provisions	281,292.87	257,409.30	(23,883.57)	-8.49
Compensation	113,492.00	118,714.04	5,222.04	4.60
Pension	6,859.63	6,190.70	(668.93)	-9.75
Employee Benefits	11,939.14	14,688.04	2,748.90	23.02
Travel & Conference	9,155.20	6,544.62	(2,610.58)	-28.51
Association Dues	3,011.00	3,567.00	556.00	18.47
Office Occupancy	19,696.93	19,916.94	220.01	1.12
Office Operations	87,561.42	92,694.42	5,133.00	5.86
Education & Promotion	8,337.51	7,607.33	(730.18)	-8.76
Loan Servicing	5,048.11	6,890.39	1,842.28	36.49
Professional & Outside	5,654.97	6,152.00	497.03	8.79
Member Insurance	409.55		(409.55)	0.00
Examination Fees	1,580.00	3,025.56	1,445.56	91.49
Cash Over & Short	4.00		(4.00)	0.00
Annual Meeting	3,710.00	2,625.00	(1,085.00)	-29.25
Miscellaneous Operating		6,500.00	6,500.00	0.00
Depreciation Expense-Furniture, Fixtures	8,420.74	9,707.07	1,286.33	15.28
Total Operating Expenses	284,880.20	304,823.11	19,942.91	7.00
Fees & Charges	14,382.04	13,531.42	(850.62)	-5.91
Other Income	22,205.49	25,372.96	3,167.47	14.26
Total Other Operating Income	36,587.53	38,904.38	2,316.85	6.33
Net Income	33,000.20	(8,509.43)	(41,509.63)	-125.79

# **FIRST PACE Credit Union**

## **Annual Report of the Supervisory Committee For The Year Ended December 31, 2016**

Dear Member:

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 2016 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: *Quinton Vorhies, Chairperson*

*Mike Leopold*

*Mike Popek*

