

90 YEARS

MPECU's Virtual Annual Meeting

2022 ANNUAL REPORT

BOARD/CU REPORT

2022 was a year of changes for MPECU. Two long-term employees, Cindy Zoldak and Carolyn Burke retired on 6/30. New lenders Erin Sengthao and Eden Nesburg joined us in the lending area. Annie Lepper moved from Operations to VP Marketing & Consumer Lending. Cory Ouellette was promoted to VP Operations. Jason Olsen was hired as SVP of Business Lending. Adam Daoust joined us as AVP Business Lending and AJ Watland as a credit analyst. Congratulations to all!

Even with all these changes MPECU had a great year! We had excellent audits and beat our budget finishing the calendar year with net income of \$973,000!

Our core processor, Symitar, now known as ONE JACK HENRY has formed a collaboration with GOOGLE and Mastercard to support small and medium sized financial institutions. GOOGLE and Mastercard saw what happened to global markets where these institutions were not present and recognized the vital role we play. We will benefit greatly from increased security and payment accessibility due to these partnerships.

In addition, we helped to sponsor a new credit union, Arise Community Credit Union, in NE Minneapolis. The Minnesota Credit Union Network, ABEP (Association for Black Economic Power) and other Minnesota credit unions helped to make this a reality. Arise is currently awaiting approval of its application. Northeast Minneapolis is an area of limited

financial institutions for area residents.

We participated in CU Forward Day and collected items for Northwood Children's Services. CU Forward day is a Minnesota Credit Union initiative where credit unions join together to demonstrate their commitment to their community by engaging in service projects.

As we look forward...2023 is our 90th Anniversary! We look forward to celebrating with you on May 9th which is the day the credit union was founded. Please fill out our survey regarding the celebration on our website or when you visit one of our branch offices.

In June we are planning a significant upgrade to our online and mobile systems. We know you will enjoy our new features and streamlined system to better serve you. Thank you so much for supporting MPECU!

Respectfully submitted,
Michael French, Board Chair
Debora Almirall, President/CEO

SUPERVISORY REPORT

The Minnesota Power Employees Credit Union (MPECU) Supervisory Committee is made up of members like yourselves. We play a vital role to help ensure the financial safety and security of our institution. To accomplish this goal, we work with an independent auditor Larry Tahtinen to conduct monthly reviews of the Credit Union operations.

The committee retained the services of Clifton Larson, Allen, LLP an independent auditing firm, to conduct our annual financial audit. Using the prescribed auditing standards, the Clifton Larson, Allen, LLP auditors determined that the Credit Union's financial statements conformed to established accounting principles.

Based on the results of the 2022 audit performed by certified public accountants Clifton, Larson, Allen LLP as of 06/30/2022 an unqualified opinion was received.

Interim, internally prepared financial statements are available at all branches.

We on the supervisory committee appreciate the opportunity to be of service and for your continued support of our credit union.

Respectfully Submitted,
Ali Carlson-Chair
Thomas Meyer
Steve Sharkey

CREDIT COMMITTEE REPORT

Members of the Credit Committee assume the responsibility of granting all types of loans to members subject to restrictions as set forth from time to time by the directors and by the bylaws and statutes that govern the operation of state-chartered credit unions. MPECU is committed to serving our member/owners while maintaining and adhering to our lending policies.

For 2022 Credit Committee is pleased to report significant growth in lending totaling over \$34.4 million. This growth was possible by continuing to offer members many lending opportunities, including home mortgage, auto loans, recreational equipment, and short-term signature loans. With over \$11.8 million in small business lending, MPECU has enabled members to start new or expand existing businesses across the region.

Perhaps the greatest benefit is knowing that these loans stay local and are reinvested into great service for our members. For that, the credit committee would like to thank each member for their part in making 2022 another successful year.

Respectfully submitted,
Nathan Schmidt, Chair
Tony Hansen
Darrin Zwak

STATEMENT OF FINANCIAL CONDITION

Minnesota Power Employees Credit Union Balance Sheet

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets		
Cash and Cash Equivalents	\$ 18,130,372	\$ 20,699,375
Securities and Investments	26,005,187	22,681,197
Loans, net	67,516,559	62,399,775
Accrued Interest Receivable	187,677	174,173
Furniture, Equipment and Leasehold Impr, net	95,610	482,160
National Credit Union Share Insurance Fund Deposit	1,009,001	905,132
Other Assets	<u>7,777,238</u>	<u>7,475,888</u>
Total Assets	<u>\$ 120,721,644</u>	<u>\$ 114,817,700</u>
Liabilities and Members' Equity		
Members' Share Accounts and Certificates	106,048,598	97,474,129
Dividends and Interest Payable	71,584	64,309
Accrued Expenses and Other Liabilities	<u>337,715</u>	<u>179,523</u>
Total liabilities	106,457,897	97,717,961
Reserves	1,850,786	1,850,786
Undividend Earnings	15,715,037	15,160,469
Gain (Loss) Available for Sale Securities	(3,618,464)	(466,083)
Net Income	<u>316,388</u>	<u>554,567</u>
Total Members' Equity	14,263,747	17,099,739
Total Liabilities and members' Equity	<u>\$ 120,721,644</u>	<u>\$ 114,817,700</u>

STATEMENT OF INCOME

Minnesota Power Employees Credit Union Income Statement

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Interest Income		
Loans Receivable	\$ 2,686,903	\$ 2,762,963
Investments & Interest Bearing Deposits	468,893	331,310
Total Interest Income	<u>3,155,796</u>	<u>3,094,273</u>
Interest and Dividend Expense	<u>229,740</u>	<u>246,105</u>
Net Interest Income	2,926,056	2,848,168
Provision for Loan Losses	<u>66,474</u>	<u>40,583</u>
Net Interest Income After Provision	2,859,582	2,807,585
Non-Interest Income		
Service Charges and Fees	146,141	173,595
Other	1,246,803	867,845
Gain/(Loss) on Assets / Investments	<u>15,910</u>	<u>40,599</u>
Total Non-Interest Income	1,408,854	1,082,039
Non-Interest Expense		
Compensation and Benefits	1,651,345	1,561,069
Occupancy	663,186	391,147
Office Operations	344,661	361,285
Education and Promotion	221,721	151,011
Loan Servicing	267,272	157,621
Professional and Outside	635,700	533,801
Other	<u>168,163</u>	<u>179,123</u>
Total Non-Interest Expense	3,952,048	3,335,057
Net Income	<u>\$ 316,388</u>	<u>\$ 554,567</u>

BOARD OF DIRECTORS CANDIDATES:

Nathan Schmidt

- Owner Spectrum Computer Services since 2011
- Member of MPECU for 7 years
- Served on MPECU's Credit Committee since 2019

Steve Sharkey

- Director of the Consumer Insights & Analytics (CIA) Program and Instructor of Marketing at UM-Duluth
- Member of MPECU for 4 years
- Served on MPECU's Credit and Supervisory Committees since 2018

Kent Oliver

- Local business owner
- Served on MPECU's Supervisory Committee since 2022

CREDIT COMMITTEE CANDIDATES:

Kay Libby

- Employed at Minnesota Power 1988-2003
- Employed by Essentia Health 2003 until retirement in 2017
- Previously served on MPECU's Supervisory Committee and Board of Directors

Tony Wilson

- Manager/Owner of Duluth's Batteries Plus Stores
- Real Estate Developer

SUPERVISORY COMMITTEE CANDIDATES:

Julie Fender

- Employed at Minnesota Power/Allete since 1992
- Currently manager of accounting overseeing general accounting, tax/property and budgeting
- Served on the Lake Superior College Accounting Advisory Committee, MP Medial Plan Board of Governors

Cindy Hammarlund

- Employee of Allette for over 22 years
- Currently at Allete Clean Energy managing compliance program
- Served on the North American Energy Markets Association since 2018

Sara Rolfson

- Business and Development Director for Zeitgeist overseeing operations and financial management
- On Executive Committee for Downtown Duluth Board of Directors
- Served on Greater Downtown Council's Events Committee

CREDIT COMMITTEE:

Nathan Schmidt, Chair
Tony Hansen
Darrin Zwak

SUPERVISORY COMMITTEE:

Ali Carlson, Chair
Tom Meyer
Steve Sharkey

BOARD MEMBERS:

Mike French, Chair
Bob Bastianelli
Micheline Bayiha
Jeremy Caine
Wing Chan
Beth Frederickson
Marcia Podratz

**MPECU RETIREMENT AND
FINANCIAL SERVICES:**

Ed Grondahl

MPECU STAFF:

Deb Almirall
Peter Cieluch
Adam Daoust
Chris Granczynski
Teresa Harber
Annie Lepper
Kaden Lofquist
Jane Naeyaert
Eden Nesburg
Jason Olsen
Laura Ostby
Cory Ouellette
Cheryl Pillsbury
Kendra Quain
Jennifer Saari
Erin Sengthao
Tess Thorstad
Serra Waldbilig
AJ Watland



MAIN OFFICE
30 W. Superior Street, Suite 126



ARROWHEAD BRANCH
3308 W. Arrowhead Road



MILLER PLAZA BRANCH
1405 Miller Trunk Highway, Suite 500

WWW.MPECU.COM