

GREAT LAKES

credit union



2022 ANNUAL REPORT

APRIL 11, 2023

www.glcu.org



85th Annual Meeting

Tuesday, April 11, 2023

5:00 p.m.

MEETING AGENDA

1. Call to Order.
2. Determine Quorum and Majority Requirements.
3. Introduction of Directors and Executive Leadership Team.
4. Approve Minutes of the 84th Annual Meeting.
5. Approve Reports:
 - a. Report of the Chair of the Board & President/CEO.
 - b. Report of the Supervisory Committee.
 - c. Report of the Credit Committee.
 - d. Report of the ALM Committee.
 - e. Report of the Membership Committee.
 - f. Report of the Board Governance & Nominations Committee.
 - g. Report of Bylaw Amendments.
 - h. Report of the Nominating Committee.
 - i. Report of the Proxy Votes.
6. Elect Directors.
7. New Business.
8. Director Milestone Anniversary.
9. Adjournment.



Annual Meeting Minutes

Great Lakes CU

Apr 28, 2022 at 5:00 PM CDT

@ CHQ & Via WebEx

The 84th Annual Meeting of the Members was held via teleconference call on Thursday, April 28, 2022. Twenty-two (22) members were in attendance. The meeting was called to order by Stephen Park, Chair, at 5:00 p.m.

Stephen Park declared that a quorum was present and that 65,497 of 78,615 or 83.3% of the outstanding members were represented either in person or by proxy. The Chair declared that it was a legal meeting.

- I. *Meeting Agenda, Annual Report*  [Annual Report Packet 2022 Final.pdf](#) & Meeting Script  [Annual Script 2022.docx](#)

Motion: A motion was made and seconded to dispense with the reading of the minutes of the previous Annual Meeting. Carried.

Motion: A motion was made and seconded to accept the Board Chair, Committee and President/CEO reports as printed. Carried.

The Chair reported there were no amendments made to the Bylaws during 2021.

On behalf of the Nominating Committee Chair, Cathy Corbi, Stephen Park presented a slate of nominees for Directors for three-year terms. The nominees were David Goles, Pat Price and Krystal Topps.

Stephen Park reported 65,497 proxies would be voted for each nominee that was presented by the Nominating Committee.

Motion: A motion was made and seconded to instruct the Secretary to cast a unanimous ballot for the slate of nominees. Carried.

With respect to the New Business agenda item, the Chair addressed three questions that were submitted by GLCU members when they registered for the annual meeting:

Q1 Why does the Free Checking Status register as Bill Pay or Mobile Banking on some accounts?

Response: Our member points out a challenge that occurred during our recent online and mobile conversion. The Free Checking Status as well as the checking account grid are services available in online banking under the "Accounts" tab. This data is updated daily to reflect the status on each requirement to receive the additional benefits of Free Checking, such as dividends. While the service is functioning properly for many of our members, we have identified an issue in which for some of our members, the status and the grid are not factoring all accounts. Our technology team is actively working to restore this functionality for all members and the service is scheduled to be updated effective May 2022.

Q2 If one of your members needs a personal loan, and has bad credit, how does GLCU assist them?

Response: GLCU strives to assist all of our members with their financial needs. We offer a variety of products and services based on a member's credit score, and partner with our members, focusing on a goal of financial empowerment. If we are not able to approve a loan application, our Housing Counseling team will partner with our member to develop an individualized plan to reach their goals.

Q3 Are there equal numbers of females and males in all positions of leadership? If not, why?

Response: GLCU employs a diverse, equitable and inclusive workforce. Our leadership consists of 62 employee owners, including 39 female team members and 23 male team members, which is 63% female and 37% male. The Senior Leadership Team (Vice Presidents and above) consists of 16 individuals and is made up of 9 female team members (56%) and 7 male team members (44%). The Executive Leadership Team consists of 8 individuals and is made up of 5 female team members (63%) and 3 male team members (37%).

Mr. Park noted GLCU greatly appreciates the engagement and feedback from our members.

Finally, Board Chair Stephen Park presented a milestone anniversary award to Director Jim March for 15 years of service on the GLCU Board of Directors.

Motion: A motion was made and seconded to adjourn the meeting at 5:20 p.m. Carried.

Stephen Park

Stephen Park, Board Chair

Jim March

Jim March, Board Secretary

Great Lakes Credit Union 2022 Bylaw Amendments

ARTICLE III – MEMBERSHIP

Section 1.

The following field of membership expansion was approved:

Anyone who lives or works in the communities in Cook County bounded by Lake Cook Road on the north; I-94/I-90 on the west; Lake Michigan on the east; and North Avenue on the south; including all municipal corporations that the geographical boundary lines traverse.

...

In addition, the following Select Employee Groups were removed from GLCU's Bylaws:

*Martino Motors
Oak Lawn Convalescent Center
Arnold Sheet Metal
Shaklee Inc.
Sonoco Products Co.
Wrap On Co.
K.D.M. Associates, Inc.
Great Lakes Psychological Services, Chicago, IL
Kane Graphical Corporation, Chicago, IL
Metro Surgical Center, Chicago, IL
Mediatech Inc.
American Egg Board
American Hawaii Cruises, Chicago, IL
Autotech Controls, Carol Stream, IL
Chicago Youth Success Foundation, Chicago, IL
Illinois Alliance for Aging, Chicago, IL
Linc Group, Chicago, IL
North Shore Security, Evanston, IL
Rogers Park Children's Learning Center
Snelling Personnel Services, Chicago, IL
Taylor Business Institute, Chicago IL
Winnetka Community House, Winnetka, IL
Lenc-Smith, Cicero, IL
Pentax Precision Instrument Corporation, Westmont, IL
MobileMedia/MobileComm, Schaumburg, IL
Moran Financial Insurance Services, Maywood, IL
Bermar Mortgage Corp., Maywood, IL
The Daring to Dream Project
Bali's Day Care, Chicago, IL
Costco Wholesale, Bedford Park, IL*

2022 REPORTS

Report of the Board Chair– Stephen Park & President/CEO – Steven Bugg

As we celebrate our 85 years of service to our members and communities, Great Lakes Credit Union has a proud history that will propel GLCU forward. Due to our legacy and continued support from our members, we foresee a strong future ahead for us.

Let us look back at some memorable milestones. Did you know that when the credit union started, Franklin D. Roosevelt was President and Fannie Mae was established? Action Comics issued the first Superman comic, and the popular film was Snow White and the Seven Dwarfs. The ball point pen was introduced, and the photocopier was being invented. A new home was \$3,900, wages were \$.40 per hr., and a new car was \$763! A gallon of gas was \$.10, and a loaf of bread was \$.09. Times have certainly changed! (See the *Timeline* following this report for some of GLCU's more noteworthy milestones.)

During the last year, Great Lakes Credit Union continued our strategic journey forward and experienced exceptional loan growth of 41% to \$1.1 billion that drove our assets to over \$1.3 billion, which resulted in asset growth of 28.31%. The average loan balance per member increased to \$63,069 from \$45,887 in 2021. Our loan-to-share ratio was 113%. Driving our loan growth was our mortgages, new / used direct auto loans and consumer loans to members. Deposits grew by 15% to \$952,010 driven by money market accounts, share certificates and non-member deposits. The average share balance per member increased to \$5,990 from \$5,261 in 2021. Our investment portfolio ended at \$223M. We did experience declines in agency securities, mortgage-backed securities and CMOs due to the economic conditions. During 2022, we invested in three new CUSOs. GLCU invested \$2.4M in Janusea, \$2M in DoubleCheck and \$1M in Realty Investors One. As mentioned earlier, due to outstanding loan growth, liquidity needs increased which resulted in higher borrowings for the year, ending at \$269M. Net Interest Income increased to \$31.4M, up \$4M from 2021. Delinquent loans and charge-offs remained at historic lows. GLCU also saw the credit union re-open our Libertyville branch and reach a partnership agreement with the Leader's Network of Chicago to provide financial products and services to the Southwest side of Chicago, which has become a financial desert. Special thanks to the Illinois Credit Union League for working on this major initiative with GLCU.

Great Lakes Credit Union also received regulatory approval to expand our field of members to all of Cook County in Chicago, completing our strategy to expand our presence in the city.

The credit union also significantly increased its investment in our digital delivery channels with the upgrade of our mobile app and the introduction of a new online banking platform early in 2022. With the upgraded platforms, GLCU was able to introduce several self-service enhancements, including a chat bot to answer routine questions and 24 / 7 live chat. EasyVest, a robo-advisor service, was also launched on our mobile app to complement our traditional investment service through our Financial Advisory Center in partnership with Tranel. Enhanced security continues to be a priority for the credit union, and we added Biometrics for member authentication, in addition to our traditional methods of validating members. For new members and for funding new accounts, we added PLAID as an easier service for members to fund their GLCU accounts from other financial institutions. Zelle was also introduced to members who utilize this payment option as an alternative to transfer funds between individuals. We also completed a website refresh to modernize our public website.

Early in the year, we completed the transition of our credit card program to Elan Financial Services, which is offering improved member rewards and campaigns. For new credit card members, Elan offers a robust variety of consumer and business credit card options with incentives to transfer over balances.

Many new members appreciated the change in 2022 to allow mobile deposits prior to a 90-day waiting period. Great Lakes Credit Union also embarked on a multi-year project of changing out our branch ATM fleet and introducing full-service, deposit-taking ATMs back into the delivery channel options for members, with two new ATMs being installed at our new Libertyville branch. In 2023, we expect to continue the deployment of

additional new ATMs at the remaining GLCU branch locations. Coin machines were replaced and added at several branch locations throughout the year, providing free coin counting service for members.

We were also excited to announce several deposit products for members. GLCU introduced Jumbo and Super Jumbo share certificates for higher balance members and started offering special share certificate rates for all members, with a minimum of \$1,000 to fund these special share certificates. For our youth, we retired the Kirby Kangaroo Club and introduced Money Mammals for ages 0 – 11 and added Adolescent\$ for ages 12 – 18. These new youth accounts provide enhanced opportunities to save, with some fun financial education associated with the programs, and empower parents throughout the entire journey.

For our business members, GLCU made the strategic decision to separate small business banking from our commercial banking team and introduced a dedicated small business banking team. This team began offering new and improved products and services, with more planned in 2023 led by an experienced business banker.

Great Lakes Credit Union was also pleased to make a major announcement in 2022, reducing and eliminating many fees from our fee schedule, primarily due to streamlining manual processes and automating them, reducing the need for manual intervention. These fee changes directly saved our members over \$1 million in 2022! This included eliminating ATM fees that GLCU charged members, making fee-free ATMs accessible by utilizing any ATM. We also continue to rebate ATM fees from non-GLCU ATMs (up to \$10 per month).

Through our community outreach, 70% of our employees volunteered their time to give back to numerous non-profits, along with GLCU donating \$137,715 to these organizations in 2022. And a remarkable 123 million people read articles regarding Great Lakes Credit Union! It was an amazing year for our expanded community engagement now under our Financial Empowerment Strategy.

We also would like to acknowledge the challenging work by our employees that once again led the credit union to receive exceptional state and national recognition. Here are a few of the awards received in 2022:

- ❖ CUNA Diamond Best Award in the one-time event category.
- ❖ MAC Bronze Award for community engagement.
- ❖ Illinois Credit Union League Desjardins Adult & Youth Financial Education 1st Place Award
- ❖ Illinois Credit Union League Louise Herring Philosophy-in-Action Member Service 1st Place Award
- ❖ Illinois Credit Union League Dora Maxwell Social Responsibility Community Service 2nd Place Award
- ❖ CUNA Louise Herring Philosophy-in-Action Member Service 1st Place Award Nationally
- ❖ Access Softek Early Adopter Award – GLCU was recognized as being a client partner to first launch 24/7 chat in 2022 with AST.
- ❖ Access Softek Client Partner in Excellence Award for being one of two clients to first launch our digital banking website application to members, which was in 2009!
- ❖ Access Softek awarded GLCU first runner up for our marketing campaign for auto loans through our partnership with Deep Target in Online & Mobile Banking.
- ❖ Gallagher U.S. Best-in-Class Employer Award

Great Lakes Credit Union was built upon the philosophy of the cooperative model of people helping people, and our strategies continues to stay true to this mission. The entire organization thanks our members that have trusted GLCU over the last 85 years to be their financial services provider. We look forward to continuing to be a leader to today's members and those we will serve in the future.

Sincerely,

Stephen Park, Board Chairman
Steve Bugg, President, and CEO

Supervisory Committee – Kevin Leman, Chair

Consisting of three members elected by GLCU's Board of Directors, the Supervisory Committee ensures that a financially stable Credit Union operates in the best interest of its members. It does this by monitoring the Credit Union's financial and risk reports, internal controls and operating policies and procedures.

The Supervisory Committee also oversees the annual audit conducted by Crowe, LLP, a certified public accounting firm. Crowe reviews GLCU's operations throughout the year. The reviews include an assessment of the accounting, reporting and internal controls of GLCU operations. Based upon these reviews, recommendations are provided to the Supervisory Committee and Executive Leadership Team. The Supervisory Committee then evaluates the actions taken during the year by GLCU's Executive Leadership Team. Crowe conducted an annual audit of GLCU's consolidated financial statements for the year ending December 31, 2022, as required by the State of Illinois Department of Financial & Professional Regulation. Based on its evaluation, the Committee is pleased to report that the audit results indicate GLCU exhibits sound financial performance and prudent management.

In the Supervisory Committee's opinion, GLCU's operations are compliant with state and federal regulations. The Credit Union has internal controls in place protecting the Credit Union, its members, management and employees.

Audit firms are rotated periodically as a control measure, with Crowe LLP's engagement ending at the end of 2022. The Supervisory Committee worked with the Executive Leadership Team in vetting and selecting a replacement firm, choosing Doeren Mayhew CPAs, starting in 2023.

Credit Committee – Jim Fabrie, Chair

The GLCU Credit Committee is appointed by the Board of Directors and is responsible for the general supervision of all loans and lines of credit to members. The Credit Committee delegates loan approval authority to the Credit Union's loan officers and meets as necessary to review special loan requests, observe lending trends and ensure members have access to numerous loan products, consistent with the lending policies established by the Board of Directors.

GLCU achieved success in 2022 with a \$315 million dollar increase in gross loans, which exceed the credit union's plan by \$190 million, with gross loans now at \$1.082B. Our competitive loan rates and terms, along with the continued evolution of our product suite and excellent service, helped make our products and services more attractive to those members who have loan needs. The Committee proudly presents these results and looks forward to serving the needs of GLCU's members.

ALM Committee – Jim March, Chair

The ALM Committee is appointed by the Board of Directors and meets at least quarterly and works in conjunction with the Pricing Committee to monitor GLCU's asset and liability positions. The Committee operates on an "act and report" basis.

During 2022, the ALM modeling was completed by McQueen Financial Advisors. In addition, McQueen performed a core deposit study, prepayment analysis and assumption sensitivity analysis. Due to the unprecedented economic times, GLCU experienced extremely high loan growth in 2022. That did have an impact on the concentration mix of the portfolio and the NEV results. As a result, and to address the impact of the exceptional loan growth, additional "what-if" modeling was also completed using the McQueen simulator. The results of those models did indicate that in some situations our NEV change and NEV ratio would improve, however, those solutions would negatively impact GLCU financially. Throughout the year, the results improved based on the direction management took. The ALCO Committee has seen the improvement in the results with the current initiatives and agreed that GLCU should continue as is instead of taking any further action. Since McQueen has now run the four quarterly ALM results for GLCU, a validation of the model is being conducted by Velligan-Blaxall Consultants (VBC).

Membership Committee – Cathy Corbi, Chair

We had 6,968 new members join Great Lakes Credit Union in 2022, ending the year with a total of 79,204 members.

Board Governance & Nominations Committee – Cathy Corbi, Chair

In 2022, GLCU's Board Governance & Nominations Committee addressed a number of initiatives. We provided training for our Directors addressing the Bank Secrecy Act, Anti-Money Laundering, and Cybersecurity. We conducted the annual Board of Director Self-Assessment and we continued to work on enhancements for our *Board Governance Manual*, a repository of information for our Directors. We also added our first non-voting Associate Director/Advisory Board member in accordance with the criteria established by new Illinois Credit Union Act Section 20.5.

2023 DIRECTOR NOMINEES

- **Kevin Leman, CPA, MBA** – Director, Finance Shared Services, AbbVie, Inc. Director since 2015. Supervisory Committee Chair. Currently serving a three-year term expiring April 2023.
- **Stephen Park** – Ret. Principal, S.M. Park & Associates Consulting. Director since 2005. Board Chair, CEO Review & Compensation Committee Member, GLCU Retirement Committee Member. Currently serving a three-year term expiring April 2023.
- **Richard “Lee” Piekarz, CPA** – Regional Chief Financial Officer for the Western Region, City of Hope. Director since 2001. CEO Review & Compensation Committee Member and Credit Committee Member. Currently serving a three-year term expiring April 2023.

GREAT LAKES CREDIT UNION
BALANCE SHEETS
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and due from financial institutions	\$ 58,118,358	\$ 67,892,255
Interest bearing deposits in other financial institutions	<u>7,864,240</u>	<u>7,962,605</u>
Total cash and cash equivalents	65,982,598	75,854,860
Interest bearing time deposits in other financial institutions	3,755,308	10,184,000
Equity securities	3,000,744	3,408,362
Securities available-for-sale	112,433,328	128,727,861
Federal Home Loan Bank stock	14,328,107	7,570,519
Loans held for sale	-	128,000
Loans to members, net of allowance of \$2,810,513 and \$3,657,209 as of December 31, 2022 and 2021, respectively	1,080,032,321	763,988,535
Accrued interest receivable	3,431,775	2,639,137
Premises and equipment, net	18,475,100	18,871,090
Share insurance deposit	8,167,970	7,980,296
Servicing rights	623,765	845,767
Real estate owned	2	2
Corporate owned life insurance	12,808,295	12,555,309
Intangible assets	159,166	264,583
Other assets	<u>18,347,563</u>	<u>12,657,915</u>
	<u>\$ 1,341,546,042</u>	<u>\$ 1,045,676,236</u>
LIABILITIES AND MEMBERS' EQUITY		
Members' and nonmember shares	\$ 952,341,881	\$ 827,973,880
Borrowings	269,229,378	93,507,045
Subordinated debt	10,000,000	10,000,000
Accrued interest payable and other liabilities	<u>14,059,077</u>	<u>13,241,093</u>
Total liabilities	1,245,630,336	944,722,018
Members' equity:		
Undivided earnings	98,818,638	89,640,449
Equity acquired in merger	11,315,706	11,315,706
Accumulated other comprehensive income (loss)	<u>(14,218,638)</u>	<u>(1,937)</u>
Total members' equity	<u>95,915,706</u>	<u>100,954,218</u>
	<u>\$ 1,341,546,042</u>	<u>\$ 1,045,676,236</u>

GREAT LAKES CREDIT UNION
 STATEMENTS OF INCOME
 Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Interest and dividend income:		
Loans	\$ 35,552,489	\$ 28,261,147
Securities	2,284,634	2,278,051
Other financial institutions	<u>1,406,020</u>	<u>603,868</u>
Total interest income	39,243,143	31,143,066
Interest expense:		
Members' shares	2,501,536	2,435,394
Borrowed funds	<u>5,436,374</u>	<u>2,325,944</u>
Total interest expense	7,937,910	4,761,338
Net interest income	31,305,233	26,381,728
Provision for loan losses	<u>(289,167)</u>	<u>(2,645,514)</u>
Net interest income after provision for loan losses	31,594,400	29,027,242
Non-interest income:		
Service fees	4,425,487	4,210,770
Credit card and ATM card income	3,865,495	4,976,836
Gain on the sale of loans	346,436	5,065,741
Gain (loss) on the sale of securities	-	207,978
Gain on equity securities	(407,618)	221,197
Other	<u>6,583,851</u>	<u>5,155,504</u>
Total non-interest income	14,813,651	19,838,026
Non-interest expense:		
Salaries and employee benefits	20,471,731	16,230,012
Occupancy and operations	10,794,717	9,901,042
Loan collection and real estate owned	407,545	282,199
Credit card and ATM card	1,199,577	1,187,473
Depreciation	1,269,516	1,556,009
Advertising	1,432,798	1,341,189
Professional and outside services	808,599	832,598
Other	<u>845,379</u>	<u>740,627</u>
Total non-interest expense	37,229,862	32,071,149
Net income	<u>\$ 9,178,189</u>	<u>\$ 16,794,119</u>

