

# 2017 Annual Report



*Your life. Our commitment.*

This credit union is federally insured up to at least \$250,000 by NCUA.

# March 14, 2018 Meeting

## Holiday Inn Gurnee Convention Center

6161 Grand Avenue  
Gurnee, IL 60031

### Agenda:

- ▶ Welcome & Introduction of Guests
- ▶ Mr. John R. Janezic, Chairman of the Board
- ▶ Dinner
- ▶ Call to Order
- ▶ Determination of Quorum
- ▶ Report of the Registration Committee
- ▶ Reading and Approval of Agenda
- ▶ Approval of Minutes of 87th Annual Meeting
- ▶ Report to the Members
- ▶ Report of the Nominating, Supervisory, and Loan Review Committees
- ▶ Election of Directors
- ▶ Unfinished Business
- ▶ New Business
  - A. By-law Change - Number of Directors
  - B. By-law Change - Encore Federal Credit Union's Field of Membership
  - C. By-law Change - Meadows Credit Union's Field of Membership
  - D.
- ▶ Adjournment



*Credit Union Day*



*CCU booth at Gurnee Days*

# 88th Annual Meeting

## Present and Former CCU Leaders:



**SEAN RATHJEN**  
CEO  
2004-Present



**WILLIAM REIDEL**  
President  
1979-2004



**ANTON KERZIC, JR.**  
President  
1970-1978



**ANTHONY PIERCE**  
President  
1956-1970



**LEO SAARI**  
President  
1930-1956

## Present and Former Chairpersons:

John R. Janezic  
(2008-Present)

George Harro  
(1977-1979)

Ellen (Sandvick) Nantz  
(1958-1965)

James A. Mahnich, Sr.  
(2002-2008)

Ernest W. Wooldridge  
(1975-1976)

Russ Alford  
(1948-1957)

Raymond W. DeWeerth  
(1979-2002)

Helen Dragunas  
(1966-1974)

Jack Liukku  
(1930-1947)

## Board Members:

- ▶ John R. Janezic – *Chairman*
- ▶ Ann Campanella – *Vice Chairperson*
- ▶ Denise Charts – *Secretary*
- ▶ Alice Clements – *Treasurer*
- ▶ Shawn Clisham
- ▶ Scott Drabicki
- ▶ Spiro Giotis
- ▶ James A. Mahnich, Sr.
- ▶ Spiridoula (Litza) Mavrothalasitis
- ▶ Joseph M. Rajceвич
- ▶ Michael Raysakis
- ▶ Kenneth Robinson
- ▶ Frank C. Soyka

## Committee Members:

- ▶ Demar Harris
- ▶ Horacio Lopez
- ▶ Jerry P. Larson
- ▶ Dr. John R. Schwab

## Nominating Committee:

- ▶ Scott Drabicki – *Chairman*
- ▶ Shawn Clisham
- ▶ Ann Campanella
- ▶ Spiridoula (Litza) Mavrothalasitis

## Board Candidates *(as approved by the Nominating Committee):*

- ▶ Lekeia Bluford (Applicant)
- ▶ Alice Clements (Incumbent)
- ▶ Thomas Ervesun (Applicant)
- ▶ Spiro Giotis (Incumbent)
- ▶ Steve Hoenig (Applicant)
- ▶ James A. Mahnich, Sr. (Incumbent)
- ▶ Kenneth Robinson (Incumbent)
- ▶ Dr. John R. Schwab (Applicant / Previous Board Member)

# Chairman and CEO Report



John R. Janezic  
Chairman of the Board



Sean M. Rathjen  
CEO

As Consumers Credit Union (CCU) enters into its 88th year, it is evident the organization has experienced a great deal of change and expansion. Looking back from the end of 2012, just five short years ago, our Membership grew 92.7% to 109,798 Members and our assets grew 112% to more than \$1.237 billion. This growth rate is indicative of supportive Member-owners, driven employees and an engaged Board of Directors who guide CCU in providing the best financial products and services while focusing on the Member experience.

**2017 was a year marked with many great accomplishments. Here are several we wish to highlight:**

## Thank you for your cooperation during our system conversion

Over Labor Day weekend, CCU transitioned to a new core operating system. Our dedicated employees worked tirelessly throughout 2017 to make this project a success, often sacrificing personal time and taking on additional responsibilities. We cannot overstate the amount of preparation that went into this project to keep the impact on you and your fellow Members as minimal as possible. While some Members had more changes than others, we understand that change, especially related to finances, is not easy. Please accept our gratitude for bearing with us during this critical transition. It may not be apparent now, but the system conversion has better positioned CCU to serve our Members' evolving financial needs into the future.

## We welcomed two credit unions into CCU

On July 1, 2017, Encore Federal Credit Union (Encore) merged with CCU. From this transition, an engaged Encore Member will now benefit over \$320 annually, on average, with the improved CCU product and service offerings. CCU spent several months working to convert Encore accounts over to CCU. Through one-on-one consultations, we were able to help Encore Members transition to CCU and take advantage of the enhanced product, service and security offerings of the combined organization. *Encore has had a long-standing partnership with Honeywell UOP, and we are very pleased to be able to build upon this partnership to provide a meaningful benefit for employees for years to come.*

On December 1, 2017, Meadows Credit Union (MCU) merged with CCU. In 2018, we will be transitioning MCU Member accounts to CCU accounts and anticipate an engaged MCU Member to benefit more than \$340 per year with the improved CCU product and service offerings.

Both of these mergers will not only benefit the Members of the merging credit union, but it will benefit CCU as well. CCU will now have greater ability to demand favorable pricing with business partners as they look to earn our business, as well as a larger internal talent pool to serve our Members. Both Encore

and MCU have very experienced employees who share CCU's philosophy of providing a great Member experience and we look forward to collaborating together to put both organizations' strengths to good use.

## Investing in tools for your security

Data breaches and identity theft are becoming more and more common for consumers today. With the Equifax breach in 2017 and countless merchant breaches piling up, it is very difficult for most to stay on top of these unfortunate occurrences. CCU recognizes these gaps for our Members and has made strides to ensure accounts are safe and secure while investing in tools to help Members monitor accounts as well. This past year we added automated fraud alerts on CCU Visa Debit and Visa Credit Cards which monitor activity outside normal patterns and notify Members for verification. Additionally, we launched Card Alerts allowing Members to set-up custom account alerts such as transaction amount, location or merchant type.

## Increased options for home loans

As CCU continues to grow, we are able to provide enhanced products and services as well as more favorable pricing. For the vast majority of Members, the biggest purchase they will make in their lifetime is their home. Understanding the importance of obtaining the right mortgage loan, CCU has made connections with additional business partners enabling us to provide more loan program options at very competitive rates. We had the opportunity to provide nearly 500 Members the ability to purchase a new home, or refinance their current home loan, at more favorable terms in 2017. We look forward to assisting even more Members with home loans in 2018 and for years to come.

## The future is bright

2017 proved to be an outstanding year for Consumers Credit Union. As we continue to grow, we remain steadfast in our commitment to putting the Member first. We continually strive to improve the Member experience while preparing for the emerging financial needs of our Membership.

CCU's continued philosophy of people helping people, under which credit unions were founded, has laid a solid foundation for future success. This philosophy empowers us to always govern and operate in the best interest of our Members.

We thank you, our Members, for choosing Consumers Credit Union as your financial partner. The words **"Your Life. Our Commitment"** are more than a tagline. They signify our dedication to helping you and your family achieve your financial goals. We look forward to the future and to working hard to remain your trusted financial partner.

  
Chairman of the Board

  
CEO

# Supervisory Committee Report

## Supervisory Committee:

- ▶ Joseph M. Rajcevich – Committee Chairperson
- ▶ Jerry P. Larson, Committee Secretary
- ▶ Denise Charts
- ▶ Spiridoula (Litza) Mavrothalasitis
- ▶ Kenneth Robinson
- ▶ James A. Mahnich, Sr.

The Supervisory Committee met monthly to monitor and review credit union operations.

Our external auditors, WIPFLi Ullrich Bertelson LLP (WIPFLi), conducted the annual verification of share and loan accounts as of September 30, 2017 and the annual audit of our financial statements (audit) for the year ended September 30, 2017. It is WIPFLi's opinion that the financial statements present fairly, in all material respects, the financial position of Consumers Cooperative Credit Union (CCU) at September 30, 2017 and the results of its operations and its cash flows for the year then ended are in conformity with Generally Accepted Accounting Principles in the United States. The results of this audit were reviewed at the December 2017 Board of Directors meeting, with each Director receiving a copy of these reports.

In 2017, WIPFLi also audited our 401(k) Plan and Trust and Defined Benefit Plans as of December 31, 2016. These audits were provided to the Supervisory Committee at the September 2017 Supervisory Committee meeting. In the opinion for these audits, WIPFLi stated that the form and content of the information included in the 2016 financial statements and schedules, other than that derived from the information certified by the trustee (CUNA Mutual), have been audited in accordance with Generally Accepted Accounting Principles in the United States and, in their opinion, are in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

WIPFLi also conducted an Information Technology examination in late 2017. The report will be reviewed by management when received in 2018.

During 2017, management also conducted due diligence reviews of Meadows Credit Union, which merged with Consumers Credit Union on December 1, 2017. Reviews were conducted by Doeren Mayhew and also by Selden Fox.

During 2017, CCU's Internal Audit function and CCU Compliance function were both expanded to continue to provide internal audit coverage and compliance review coverage as the credit union expands and grows. Management executes a risk-rated Internal Audit Plan for the year and a separate Compliance Review Plan for the year. The Internal Audit team conducted the required annual audits, and additionally, internal audit reviews of many areas throughout the organization such as Commercial Lending, Payroll, Credit Cards, Collections, Remote Deposit Capture, Automated Clearing House (ACH), Wire Transfers, Accounts Payable, Investments, and Consumer Loans. The Compliance Manager separately reviewed policies and procedures for compliance in several areas of the credit union. Management also hired WIPFLi and BKD to perform certain additional compliance reviews of policies and procedures.

# Loan Summary

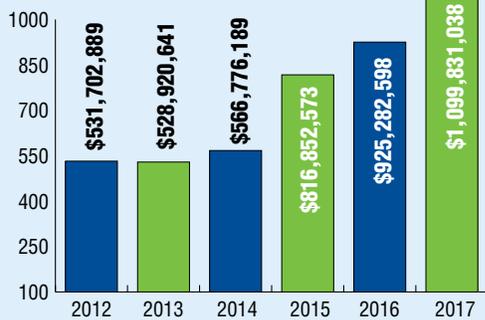
## Loan Review Committee:

- ▶ Frank Soyka – Chairman
- ▶ Demar Harris
- ▶ Horacio Lopez
- ▶ Michael Raysakis

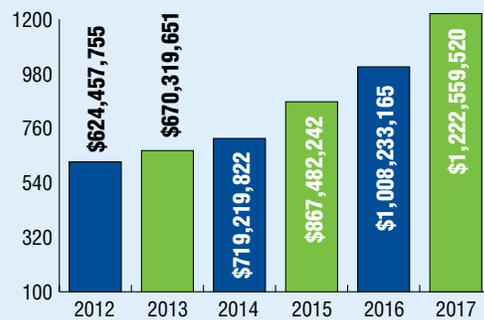
LOAN TYPE	2017 Number	2017 Amount	2016 Number	2016 Amount
New Auto	1,910	\$ 58,788,624	1,302	\$ 39,514,817
Used Auto	7,900	160,242,780	6,614	124,060,561
Motorcycle	431	3,906,812	542	4,470,701
Boats, Campers, and Motorhomes	65	2,603,302	64	1,519,481
Personal Watercraft, Snowmobiles, ATVs	49	1,007,734	49	485,294
Other Secured	1,383	12,207,284	1,401	11,669,945
Savings (includes Share and CD Secured)	148	1,316,319	172	7,150,772
Signature and Cosigner	1,505	5,528,398	1,379	4,220,748
Overdraft Loan*	3,965	538,614	5,901	788,740
NSGCU REDI Cash	28	8,069	47	14,442
Home Equity Loans	148	5,346,638	8	263,500
Home Equity Lines of Credit (HELOC)	3,440	23,486,033	4,266	12,728,118
First Mortgages	484	77,296,566	447	74,080,620
Commercial Loan	81	27,524,166	75	78,472,971
Other	274	2,305,568	-	-
<b>Total</b>	<b>21,811</b>	<b>\$ 382,106,908</b>	<b>22,270</b>	<b>\$359,440,710</b>

LOAN RECAP	2017 Number	2017 Amount	2016 Number	2016 Amount
Rewrites and Extensions	262	\$ 4,076,222	245	\$ 2,273,896
Approval Rate	67%		72%	

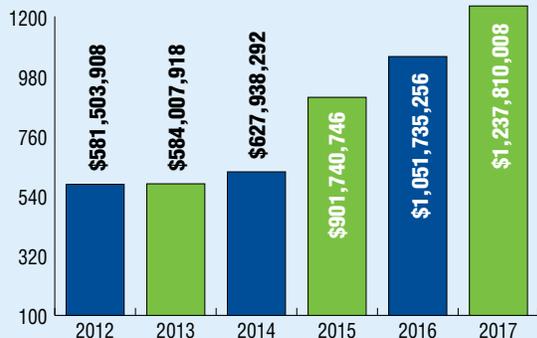
### TOTAL DEPOSIT BALANCE HISTORY



### SERVICED LOAN HISTORY



### ASSETS



### MEMBERS



## FINANCIAL CONDITION

	2017	2016	Difference
<b>ASSETS</b>			
Cash and equivalents	\$ 43,566,762	\$ 24,578,209	\$ 18,988,553
Loans to Members	849,708,370	660,731,694	188,976,676
Investments	286,054,368	314,057,222	(28,002,853)
Fixed Assets, net	24,450,177	22,723,718	1,726,459
Other Assets	34,030,331	29,644,413	4,385,917
<b>Total Assets</b>	<b>\$1,237,810,008</b>	<b>\$ 1,051,735,256</b>	<b>\$ 186,074,753</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
Current Liabilities	\$ 11,501,972	\$ 6,797,017	\$ 4,704,955
Total Borrowed Funds	28,158,980	38,619,389	(10,460,409)
Members' Shares and Certificates	1,099,831,038	925,282,598	174,548,439
Total Reserves and Net Income	98,318,018	81,036,252	17,281,766
<b>Total Liabilities and Members' Equity</b>	<b>\$1,237,810,008</b>	<b>\$ 1,051,735,256</b>	<b>\$ 186,074,753</b>
<b>TOTAL MEMBERS</b>	<b>109,798</b>	<b>88,599</b>	<b>21,199</b>

## OPERATING STATEMENT

	2017	2016	Difference
<b>INTEREST INCOME</b>			
Interest on Loans	\$ 36,729,205	\$ 31,705,150	\$ 5,024,055
Income from Investments	7,719,154	4,349,166	3,369,988
<b>Total Interest Income</b>	<b>\$ 44,448,359</b>	<b>\$ 36,054,316</b>	<b>\$ 8,394,043</b>
<b>INTEREST EXPENSE</b>			
Member Dividends	\$ 7,822,808	\$ 5,770,034	\$ 2,052,774
Borrowed Funds	3,220,511	914,921	2,305,590
<b>Total Interest Expense</b>	<b>\$ 11,043,320</b>	<b>\$ 6,684,955</b>	<b>\$ 4,358,365</b>
Net Interest Income	33,405,040	29,369,361	4,035,679
Provision for Loan Loss	3,610,343	2,192,658	1,417,685
<b>Net Interest Income After Provision</b>	<b>\$ 29,794,697</b>	<b>\$ 27,176,703</b>	<b>\$ 2,617,994</b>
<b>OTHER INCOME</b>			
Service Charges and Other Fees	\$ 18,981,997	\$ 17,051,042	\$ 1,930,955
Other Operating Income	3,520,665	2,328,420	1,192,245
<b>Total Other Operating Income</b>	<b>\$ 22,502,662</b>	<b>\$ 19,379,462</b>	<b>\$ 3,123,200</b>
<b>OPERATING EXPENSES</b>			
Salaries and Benefits	\$ 22,084,017	\$ 20,289,988	\$ 1,794,029
Office and Occupancy	1,738,284	1,730,083	8,201
Office Operations	5,562,325	5,402,237	160,088
Professional Services	5,047,079	5,192,865	(145,786)
Meetings, Travel, Conference	219,679	277,752	(58,073)
Marketing	1,104,112	1,107,446	(3,334)
Loan Servicing	7,423,243	6,012,315	1,410,928
Miscellaneous Operating Expense	1,881,655	1,491,222	390,433
<b>Total Operating Expenses</b>	<b>\$ 45,060,393</b>	<b>\$ 41,503,908</b>	<b>\$ 3,556,485</b>
Loss (Gain) on Investments/Loans/Assets	-60,821	-572,620	511,799
Other Re-Owned (OREO)	76,628	-24,911	101,539
<b>Total Other Income/Expense</b>	<b>\$ 15,807</b>	<b>\$ -597,531</b>	<b>\$ 613,338</b>
<b>Net Income</b>	<b>\$ 7,221,158</b>	<b>\$ 5,649,787</b>	<b>\$ 1,571,371</b>

# Locations

## Office:

(Limited access, by appointment-only):

### HEADQUARTERS

1075 Tri-State Parkway  
Suite 850  
Gurnee, IL 60031



*Waukegan Independence Day Parade*



*Round Lake Beach Parade*

## CCU Service Centers:

### DES PLAINES

(Restricted Access)

25 E. Algonquin Road  
Des Plaines, IL 60013

### GURNEE

4946 Grand Avenue  
Gurnee, IL 60031

### MUNDELEIN

1210 S. Lake Street  
Mundelein, IL 60060

### NORTHBROOK

1334 Shermer Road  
Northbrook, IL 60062

### NORTH WAUKEGAN

3737 N. Lewis Avenue  
Waukegan, IL 60087

### PALATINE

311 E. Northwest Highway  
Palatine, IL 60067

### PALATINE

2401 Plum Grove Road  
Suite 100  
Palatine, IL 60067

### ROUND LAKE BEACH

2626 N. Route 83  
Round Lake Beach, IL 60073

### SCHAUMBURG

22 W. Schaumburg Road  
Schaumburg, IL 60194

### VOLO

195 East Route 120  
Volo, IL 60073

### WAUKEGAN

2750 Washington Street  
PO Box 9119  
Waukegan, IL 60079

