

# 2023

## ANNUAL REPORT

## 2023 Annual Report

### Chairman & CEO's Report

#### To our Members...

As we continue to navigate a challenging economic environment, our focus remains set on finding ways to improve our members' financial wellbeing and to foster an environment for continued membership and loan growth. As member expectations evolve, we continue to work towards streamlining online processes that allow for a quick, easy, and personalized experience. We have always strived to deliver superior member experience and are excited to rise to the challenge of finding ways to remain relevant in this swiftly changing environment.

As we reflect on the highlights of 2023 and look forward to what is to come, we want to thank you, our members, for joining us on this journey and making us your preferred financial partner. We wouldn't be here without you!

#### Improvements for a Greater Future...

Our mission statement says it best. We will operate a well-managed and cost-effective financial institution while building relationships with our members to offer them products and services that meet their goals and needs. In 2023 we continued to look for and introduce products and services that added value to our membership. A few highlights from this past year...

**Online Banking Enhancements:** As members continue to embrace the convenience of electronic services, we are committed to developing our products and programs with a mobile first approach to ensure the member experience is streamlined whether conducting their business in person or remote.

In 2023, we launched an enhanced Online Banking Desktop experience that gives members access to Card Controls, Account Summary and Loan Widgets on the Desktop platform, making it similar to our Mobile App experience.

**Generator replacement in Grand Rapids:** Our generator in Grand Rapids was replaced in 2023! This enhanced our business continuity plan and assures our Grand Rapids branch will remain operational even in the event of a power outage.

**Phone System:** A much-anticipated project with the selection and launch of a cloud-based phone system to replace the legacy system we were on. The IT department and our management team worked together to select and implement a new phone system that incorporated needed features such as auto attendants, instant messaging, chat, reports, and possibly video conferencing and enhanced call monitoring down the road. This put all methods of communication in one place with more accurate reports and statistical data.

**Click SWITCH & Card SWAP:** Click SWITCH & Card SWAP are programs that allow members to securely move their direct deposits and automatic payments from their prior financial institution to Preferred Credit Union by using an automated solution. This is an amazing tool for members to use when opening a new account and with compromised card situations.

**Paperless Indirect Lending:** Paperless Indirect Lending via Virtual Strong Box allows our Indirect Dealers to upload loan documents digitally and helps streamline the paper process from application to funding. Paperless Indirect Lending saves our staff processing time and allows the dealers to be paid sooner on the deal. This has been a great tool for our team.

**Staffing:** In 2023, we went through a strategic restructuring due to a couple anticipated retirements. This restructuring included the promotion of two lenders to Branch Manager roles, filling our COO position that has remained intentionally vacant for a few years, bringing on a new Human Resources Director, filling our Corporate Trainer position and creating a new IT Manager role that was also filled internally. These changes have strengthened our management team and are positioning us for a successful future.

## Continued *Growth...*

In 2023, we welcomed 2,500 new memberships and 2,072 new checking accounts to the credit union, marked 55 years of service to our community and generated over \$2.7 million in income. Our dedicated staff funded over 2,600 loans for \$41 million and helped grow our loan portfolio by 3%. Our loan growth came primarily through purchased loan participation programs and our unsecured loan programs, which included Upstart loans and our Visa program.

As we continue to look for opportunities to add value to our membership and improve credit union operations, some projects slated for 2024 include enhancing our Tap & Go for our Visa Credit Cards and Debit Cards, implementing enhanced online banking security features, enhancing our online membership opening process, launching a Benefits Checking program, staff development through new training programs and a new human capital management system, completing a market analysis for our branches, along with several facility projects.

## Supporting *Community...*

Preferred Credit Union has been serving the community for over 50 years and we love to find ways to give back to those we serve. Credit union wide we supported several organizations; raised \$5,000 for Breast Cancer Awareness/The American Cancer Society, donated \$3,000 to local classrooms through our Classroom Scholarship program (\$500 to six classrooms), hosted free Shred Days with the shred truck on site for our members and community members, sold chocolate bunnies to raise money for Staircase Youth Services, provided 600 PCU youth members with back to school supplies worth \$6,000 and completed our 4<sup>th</sup> annual Inspire Kindness and Pay it Forward Campaign where each employee received \$30 to go out into the community and inspire kindness.

Our branches were also busy with local fundraising efforts to support organizations like: the 59<sup>th</sup> Annual Danish Festival, United Way Holiday Hope Bags, Have Mercy Homeless Shelter, the Bud Dodson Memorial Area 24 Special Olympic Golf Outing, Childhood Cancer Campaign, Communities Overcoming Violent Encounters (C.O.V.E.), Reality Store, Hospice and Nursing Care at Pilgram Manor, Kids Food Basket, Movers for Moms, The Greenville Lions Club Toy Project, Mason County Mitten Tree Project, The Salvation Army Angel Tree, Turk Lake Polar Plunge: Special Olympics, United Way: Personal Care Drive, Grand Rapids Home for Veterans, the Western Michigan Fair Backpack giveaway, Staircase Youth Services, Mason County Youth Advisory Council, Ludington Boots and Coats for Kids, Ludington High School Student Council for their "Shop with an Oriole" program, Barry County Kids/United Way of Barry County, Star School Elementary, and Hastings Athletic Boosters.

Preferred Cares is a program created and funded by the staff of Preferred Credit Union and our members to support local children in need. We work with schools and local organizations to identify children or charities who might need school supplies, clothing, or even financial help. In 2023 we worked primarily with Ridge Park Charter Academy and their school social worker/homeless liaison to identify kids in need of basics like winter gear, school supplies, school uniforms and clothing. These families are often homeless or refugee families who have recently relocated to West Michigan.

## Looking *Forward...*

The mission of Preferred Credit Union is to be our members' lifetime financial partner by offering products and services needed to meet their financial goals. As your leadership team, we are committed to looking for ways to

add value to your relationship with us and offer the best products and services available to help you meet your financial needs. We remain vested in our members, our staff, and the communities we serve.

We had an exciting year of growth in 2023 and look forward to what 2024 will bring. Thank you for your membership and your willingness to make us your preferred financial partner.

Sincerely,

**Russell Herman**, Board of Directors Chairman

**John Yeomans**, President/CEO

## 2023 Annual Report

### Credit Committee Report

2023 was an interesting year in lending. Members saw interest rates on Consumer and Mortgage Loans at the highest they have been in over a decade. Many of the borrowers today have never seen rates this high. In addition to high rates, members that are looking to purchase homes are finding that inventory is very low, or housing prices have exceeded their budget. Vehicle sales remain low due to high interest rates and prices, but inventory is not an issue.

In 2023, our loan team funded over 2,600 loans for \$41 million. Our delinquency and loss ratio remains low at 0.47%.

We anticipate 2024 to also be a challenging year in lending as interest rates are still high and inflation seems to have many borrowers waiting until things stabilize or rates decrease. Our team will continue to try to find the best products and opportunities to benefit our members and lead them to a healthy financial future.

The Credit Committee would like to thank the credit union team, the Board of Directors, and the membership for their support throughout 2023. We look forward to 2024 and helping our members achieve all their financial goals.

Sincerely,

**Dorothy Miller**, Chief Lending Officer

## Statement of *Financial Condition*

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
Loans to Members	\$148,199,685	\$143,822,425
Board and Committee Members	\$541,066	\$481,930
Allowance for Loan / Courtesy Pay Losses	(\$1,491,515)	(\$1,407,540)
Allowance for Impairment Loss	\$0	\$0
Cash and Cash Equivalents	\$3,020,234	\$2,918,692
Shares and Deposits in Alloya Corporate CU	\$20,375,533	\$21,439,410
Other Investments	\$92,055,207	\$86,829,854
Other Real Estate Owned	\$0	\$0
Accrued Interest Receivable	\$773,394	\$666,165
Other Receivables	\$2,323,610	\$2,329,212
Prepaid Expenses	\$421,955	\$358,472
Property, Buildings & Equipment (less depreciation)	\$2,330,519	\$2,316,061
	<b>\$268,549,688</b>	<b>\$259,754,679</b>
<b>LIABILITIES &amp; EQUITY</b>		
Member Shares	\$73,309,075	\$84,734,319
Member Demand & Deposit Accounts	\$159,196,215	\$144,946,779
Accounts Payable & Other Accrued Expenses	\$5,921,973	\$5,519,778
Dividends / Interest Payable	\$103,538	\$15,698
Notes Payable	\$0	\$0
Unrealized Gain/(Loss)	(\$7,358,056)	(\$10,054,690)
Retained Earnings	\$37,376,942	\$34,592,796
	<b>\$268,549,688</b>	<b>\$259,754,679</b>
<b>INCOME</b>		
Interest on Loans	\$7,950,353	\$6,721,047
Income from Investments	\$3,040,462	\$1,974,499
Other Income	\$4,764,428	\$4,690,837
Gain (Loss) on Sale of Assets	\$0	\$19,334
Less Interest & Dividend Expense	(\$1,706,984)	(\$554,194)
Less Provision for Loan / Courtesy Pay Losses	(\$449,484)	(\$60,000)
	<b>\$13,598,776</b>	<b>\$12,791,524</b>
<b>EXPENSES</b>		
Office Operation	\$2,805,619	\$2,707,317
Compensation	\$5,482,665	\$5,050,614
Office Occupancy	\$519,836	\$472,958
Education & Promotion	\$510,486	\$475,447
Loan Servicing	\$998,245	\$886,889
Travel & Conference	\$159,633	\$113,092
Supervision & Examination Fees	\$15,041	\$35,000
Interest on Borrowed Money	\$0	\$12
NCUSIF Stabilization Expense	\$0	\$0
Miscellaneous	\$82,141	\$61,839
Association Dues	\$13,778	\$11,386
Professional and Outside Services	\$227,183	\$196,445
	<b>\$10,814,629</b>	<b>\$10,011,001</b>
<b>NET INCOME</b>	<b>\$2,784,147</b>	<b>\$2,780,523</b>

## Board of Directors

Russell Herman  
Chairman

Yvonne Alles  
Vice Chairperson

H. Frederick Bartling  
Secretary

Fred Gradisher Jr.  
Director

Gaylen Demarest  
Treasurer

Keegan Daniel  
Director

Meredith Anderson  
Director

Pete Herman  
Director

Thomas Powers  
Director

Victoria Brown  
Director

## Credit Committee

Dorothy Miller  
Chairman

Barb Denman  
Committee Member

Cynthia McCombs  
Committee Member

Darci Irving  
Committee Member

John Yeomans  
Committee Member

## Executive Team

John Yeomans  
President/CEO

Bryan Kaylor  
COO

Bev Vander Well  
CFO

Christine Pratt  
VP of Member Experience

Cynthia McCombs  
VP of HR and Security Officer

Dorothy Miller  
CLO

Rhonda Harrington  
VP of Cards

