

# 2023

# ANNUAL REPORT

April 25th, 2024



## STATEMENTS OF FINANCIAL CONDITIONS

## STATEMENTS OF INCOME & EXPENSE

## SUPERVISORY COMMITTEE REPORT

DECEMBER 31, 2023 AND 2022

	2023	2022
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 133,208,852	\$ 82,137,505
Deposits in Other Financials	\$500,235	\$10,500,235
Securities - Available-for-Sale	\$ 10,277,754	\$ 246,011
Other Investments	\$ 4,803,213	\$ 4,666,854
Loans Held-for-Sale	\$ 4,630,769	\$ 4,065,958
Loans, Net	\$ 813,177,600	\$ 825,284,667
Accrued Interest Receivable	\$ 2,851,238	\$ 2,483,446
Premises & Equipment, Net	\$ 20,787,297	\$ 21,387,679
NCUSIF Deposit	\$ 8,120,031	\$ 7,879,564
Other Assets	\$ 23,685,694	\$ 29,837,176
<b>Total Assets</b>	<b>\$ 1,022,042,683</b>	<b>\$ 988,489,095</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Liabilities</b>		
Members' Share and Savings Accounts	\$ 848,920,958	\$ 829,043,607
Notes Payable	\$ 56,675,000	\$ 48,575,000
Accrued Expenses and Other Liabilities	\$ 12,821,307	\$ 10,925,312
<b>Total Liabilities</b>	<b>\$ 918,417,265</b>	<b>\$ 888,543,919</b>
<b>Members' Equity</b>		
Undivided Earnings	\$ 105,969,475	\$ 102,917,132
Accumulated Other Comprehensive Loss	\$ (2,344,057)	\$ (2,971,956)
<b>Total Members' Equity</b>	<b>\$ 103,625,418</b>	<b>\$ 99,945,176</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 1,022,042,683</b>	<b>\$ 988,489,095</b>

DECEMBER 31, 2023 AND 2022

	2023	2022
<b>INTEREST INCOME</b>		
Loans	\$ 38,664,729	\$ 32,991,044
Securities and Interest Bearing Deposits	\$ 5,606,531	\$ 3,708,477
<b>Total Interest Income</b>	<b>\$ 44,271,260</b>	<b>\$ 36,699,521</b>
<b>INTEREST AND DIVIDEND EXPENSE</b>		
Member Deposits	\$ 8,885,434	\$ 3,222,271
Special Dividend	\$ 301,720	\$ 500,200
Borrowed Funds	\$ 1,430,270	\$ 3,005,026
<b>Total Interest and Dividend Expense</b>	<b>\$ 10,617,424</b>	<b>\$ 6,727,497</b>
<b>NET INTEREST INCOME</b>	<b>\$ 33,653,836</b>	<b>\$ 29,972,024</b>
<b>PROVISION FOR CREDIT LOSSES</b>	<b>\$ 3,849,674</b>	<b>\$ 1,394,879</b>
<b>Net Interest Income After Provision for Credit Loss</b>	<b>\$ 29,804,162</b>	<b>\$ 28,577,145</b>
<b>NON-INTEREST INCOME</b>		
Service Charges and Fees	\$ 5,589,357	\$ 5,227,166
Other Non-Interest Income	\$ 6,105,428	\$ 7,136,462
Gain (Loss) on Sale of Loans, Net	\$ 212,080	\$ (858,297)
<b>Total Non-Interest Income</b>	<b>\$ 11,906,865</b>	<b>\$ 11,505,331</b>
<b>NON-INTEREST EXPENSE</b>		
<b>General and Administrative:</b>		
Employees Compensation and Benefits	\$ 19,966,916	\$ 19,330,986
Office Occupancy and Operations	\$ 6,553,040	\$ 5,522,463
Other Operating Expenses	\$ 9,651,532	\$ 8,155,844
Loss on Sale of Investments, Net	\$ -	\$ 5,495
Loss on Sale of Assets, Net	\$ -	\$ 27,687
<b>Total Non-Interest Expense</b>	<b>\$ 36,171,488</b>	<b>\$ 33,042,475</b>
<b>NET INCOME</b>	<b>\$ 5,539,539</b>	<b>\$ 7,040,001</b>

### Meeting the Needs of Our Members

The Supervisory Committee of Ideal Credit Union has long been considered the "watchdog" of this financial institution. We strive to ensure the integrity, accuracy and efficiency of your credit union. Our committee meets regularly to examine different aspects of the credit union's operations. Acting as your representative, the Supervisory Committee ensures that the board and management meet required financial reporting objectives and have established policies and procedures sufficient to safeguard the credit union's assets.

To help conduct a thorough examination of Ideal CU's financial condition, the Supervisory Committee selected CliftonLarsonAllen, LLP, to conduct an external audit of the credit union. In addition, the Supervisory Committee utilizes the services of CliftonLarsonAllen, LLP to conduct internal audits. These audits include account verification, internal control reviews, regulation compliance, security policy review and business continuity planning.

From our examinations, and from reviewing the 2023 auditor's report, it is our opinion that Ideal Credit Union is operating in accordance with the bylaws of the credit union, statutes of the State of Minnesota and the policies set forth by the Board of Directors.

Your questions are researched and answered by this committee. You are encouraged to report any apparent errors or omissions on your statement to us. This enables us to evaluate the effectiveness of your credit union's policies and procedures.

We feel that Ideal Credit Union is an exceptionally well operated and managed financial institution. We look forward to continued growth and success.

*Rick Osborn Sara Racine Laura Port*  
**Rick Osborn, Sara Racine, Laura Port**  
 Chair



## A MESSAGE FROM OUR PRESIDENT & CEO

As we near a century in service to our members, Ideal Credit Union is proud to be the oldest credit union in Minnesota. Ideal's legacy of serving members is rooted in the value of people helping people. In these uncertain economic times, we take great pride in the strength of our credit union today. The intentional ways we have grown our credit union ensures our strong foundation while allowing us to invest, serve and innovate for the future.

As a member-owned financial, your money is more than a series of transactions—it's an investment in a relationship and ownership at Ideal Credit Union. It's not only our scope of financial services that distinguishes us, but it's the delivery of those services. That's where we shine. We care about our members. Live the Ideal Life is more than a tagline for us. We listen. We hear you. We present options to help you live YOUR Ideal Life. The definition of Ideal Life is different for each member, we're here to help you accomplish YOUR goals along life's journey. Thank you for your continued membership. Thank you for your support, partnership and business.

### Simply the Best

I always say, "We may not be the biggest, but we strive to always be the best credit union in Minnesota." Ideal Credit Union's financial results show we're in a strong position among the top credit unions in Minnesota, and we continue to be recognized as "the best" by our members, employees and the industry.

- Ideal Credit Union named the #1 Minnesota credit union by Forbes. Best-In State rankings based on member surveys and industry experts.
- Ideal Credit Union recognized as Best Place to Work by the Minneapolis–St. Paul Business Journal.
- Ideal Credit Union awarded the 5-star Bauer Financial rating - Bauer Financial has been evaluating and rating financial institutions since 1983. We are proud to have received a 5-star rating, indicating that Ideal Credit Union is among the strongest credit unions in the nation, excelling in the areas of loan quality, capital and profitability.

### Growing to Serve

In 2023, Ideal Credit Union grew to \$1 billion in assets and our financial position is solid with a net worth ratio of 10.37% which is well above the 7% regulators define as well capitalized. Together we achieved a net income of \$5.5 million. Our successful position as a top ten credit union Minnesota, is reflected in the dedication of our members. Coming from a place of strength, in 2023 Ideal made strategic investments in products and services that are focused on meeting the ongoing needs of our members.

### High Yield Savings and Certificate Specials

In 2023, Ideal was proud to introduce a new High Yield Savings Account and offer competitively priced Certificates of Deposit. Not all financials were able to grow deposits in 2023, but utilizing these programs, Ideal offered members highly competitive pricing and successfully drove deposit growth.

### Ideal is Proud to Offer SBA Loans

In 2023, your Credit Union was approved to provide SBA 7(a) loans to our member businesses. The 7(a) program is SBA's most popular program and provides short- and long-term loans for up to \$5 million for working capital, purchasing equipment and for purchasing commercial real estate. The 7(a) program offers competitive interest rate and extended terms to aid small businesses to grow and thrive. This is just one of the many products we offer to help our member businesses achieve their financial goals.

### Innovating for the Ideal Life

Many of you may remember PAL, our former phone banking system. In 2023, we were proud to introduce IDA - the Ideal Digital Assistant. IDA is your new PAL! IDA is an artificial intelligence tool that allows members to seamlessly ask questions and engage with Ideal 24/7 through our AI powered phone banking system and in Ideal's online chat. IDA's capabilities will continue to grow based on member feedback and inquiries. Today she can answer a variety of questions and enables seamless assistance answering questions about an account balance or helping with transactions like providing balance information, completing transfers and making loan payments.

### Reflections on 40 Years

As I mark 40 years with Ideal Credit Union in 2024, I reflect on the college student who came for a job and stayed for an incredible career. A lot has changed since I first started as a part-time teller while going to the University of St. Thomas, but what remains true is the dedication we all share to building a strong community through financial empowerment. I will be sharing more reflections and thanks throughout the year as I mark this milestone with you.

*Brian G. Sherrick*

**Brian G. Sherrick, President & CEO**

## CHAIRMAN'S REPORT

### Board Leadership

As your board leadership, we're responsible for ensuring the finances of the credit union are managed properly. We monitor and approve the budget and provide oversight for all of Ideal Credit Union's policies and practices. Our goal is to ensure focus on meeting the needs of our member owners.

### Ideal Credit Union is Strong

Our Credit Union experienced another successful and challenging year in 2023. As of year-end 2023, the credit union met and exceeded many of the key performance indicators. Capital grew 3%, asset quality continues to be strong with loan delinquencies and net charge-offs at 1.22% and 0.31% respectively. Return on assets of .55% or \$5.5M; loan to share ratio of 96.80%. Share growth grew by 2%, loan growth declined by 1%, while member growth declined 3.5% for the year. Assets grew 3% to \$1B.

Ideal Credit Union is very stable, solid and sound. Federally insured credit unions offer a safe place for consumers to save money. These deposits are protected by the National Credit Union Association (NCUA) Share Insurance Fund and insured up to at least \$250,000 per individual depositor. Since credit unions are heavily regulated and required to remain in compliance with strict soundness standards, members can be confident that their accounts are protected. We've been proudly serving members since 1926. Because we are not-for-profit, we can make balanced decisions over time without taking unnecessary business risks. Because of this long-term mindset, when times get tough, we can expand our reach to those we serve rather than retract.

### Celebrating 40 Years

All of the board, staff and membership share our congratulations to Ideal CEO Brian Sherrick as we celebrate his 40 years of service in 2024. Brian's visionary leadership has cultivated a vibrant and award-winning credit union delivering on its purpose to serve members. Many of Ideal's members see Brian put the 'people helping people' philosophy in action every day at Ideal Credit Union. Whether it's taking time to personally meet with a member or invest in a new product that makes banking easier. We thank Brian for his continued leadership and dedication to Ideal members, employees, the community and the credit union movement.

### Join Ideal Credit Union's Board

Achieving our purpose and serving members takes leadership and we invite our members to consider serving on the Ideal Credit Union Board of Directors. Members are encouraged to nominate themselves for consideration. All Board candidates are reviewed by the Nominating Committee and the Board slate is announced during the annual meeting each year.

*Peter Olsen*

**Peter Olsen, Chairman of the Board**

## CREDIT MANAGER'S REPORT

During 2023 your credit union originated over \$181.8 million in new loans to its members. The 5,359 loans granted during the year included 4,692 consumer loans, 592 first and second mortgage loans and 75 business loans. Your credit union continues to strive to meet the needs of our members by providing quality products and excellent service in a very responsible manner.

In a challenging lending environment that saw rapidly rising rates in the broader economy and decreases in loan demand the credit union was able to largely maintain its loan portfolio. Lending has long been the backbone of the credit union member offerings and we continue to strive to find the most convenient and efficient methods to deliver loans to our members.

During 2023 your credit union was approved to become an SBA lender by the Small Business Administration. This enable us to be able to assist even more of our members with their business lending needs. We also established a relationship with the Federal Home Loan Bank of Des Moines to continue to enhance our ability to offer quality mortgages products with exceptional rates and competitive fees.

Your credit union always works to provide a fair and responsible lending program. However, if a member believes that his or her application was unfairly denied, that person is advised to have the application reviewed by the Credit Manager. If still dissatisfied, he or she can submit a written request to the Board of Directors.

We finished the year with a loan to share ratio of 96.80%, which continues to demonstrate our commitment to ensure we are lending out our deposits to serve our members and our communities.

*Rick Blood*

**Rick Blood, Credit Manager**