

BETTER TOGETHER

2021 ANNUAL REPORT



Members 1st
Credit Union

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HONORING A LEGACY



Teri Davis
Former President & CEO

In 2022, former President/CEO Teri Davis retired from Members 1st Credit Union in January. Mrs. Davis spent 29 years with the credit union and led Members 1st as President and CEO for six years beginning January 1, 2016. During her tenure as CEO, Members 1st experienced stable loan and deposit growth. The credit union's asset size increased from \$161,575,904 million to \$297,796,762 million while increasing the number of members served from 18,018 to 23,105.

President and CEO Caroline Redmann officially took the helm on February 1, 2022. With over 30 years of credit union experience and participation on various credit union industry committees and advisory boards, Mrs. Redmann was the consensus choice from a field of national candidates.

She comes to the credit union by way of Wisconsin, serving and living within similar rural communities found in Northern California. Mrs. Redmann is eager to continue the development of Members 1st Credit Union, building on its foundation of financial strength and exceptional member service.



Caroline Redmann
President & CEO



Caroline Redmann
President & CEO

PRESIDENT & CEO REPORT

Credit unions are financial cooperatives that exist to give our members a better life. Members pool their resources to build and strengthen their community. As such, the success of Members 1st Credit Union is a direct reflection of our communities in Northern California. Our members faced some complex challenges in 2021, but we have gained strength and resolve for our future. Members continued to save and reduced their debt levels. We have worked hard to keep the credit union strong.

LOOKING FORWARD

Looking ahead to 2022, we expect the economic environment to look much different. Recovery of outputs in 2021 and low unemployment levels are signs of improvement. Many of our members are waiting for car inventories to return to normal levels, and we will be ready. Although mortgage rates have started to rise a bit, many of you are ready to move forward with finding a new home or rebuilding. We can help first-time homebuyers, people eager to build, and others seeking improvements to existing homes. We have even expanded our mortgage program to help members who may have had some credit challenges.

We are also expanding our reach to small businesses that are the lifelines of our community. In 2022 we will be bringing personal service and business loan options to strengthen our local employers! We know how important the safety and security of your funds and personal data are to all members. During the year, M1CU will continue to enhance our network security and backup systems, ensuring members' data is safe and secure and that our systems are accessible in the event of a disaster.

It is my sincere pleasure and privilege as the President/CEO of Members 1st Credit Union to lead this outstanding organization. As I became part of the M1CU family in January, I was welcomed with warm support. Together with the staff, members of the Board of Directors, and Supervisory Committee, we will continue to remain committed to supporting our members' financial needs and providing a safe place to invest in your future!

IMPROVED CONVENIENCE

In 2021, we focused our resources on ensuring our strategy was aligned with our purpose of providing convenient services for a great member experience. To this end, we improved many mainstay services while introducing new products and services to our members to help them better achieve their financial goals.



Ability to redeem Memberperks rewards points at participating gas stations



Debuted Card Controls to turn cards on, off, or alert the credit union if lost or stolen



Enhanced digital menus for easier use of Send Money



Introduced Custom Notifications to receive email or push notifications for balance alerts, loan payments, card activity, direct deposits, checks, and device registrations



Made it easier for members to submit Travel Notices to protect card usage while traveling



Debuted free Identity Theft Protection for all Members 1st credit cardholders including dark web monitoring, data breach notifications, stolen wallet assist, one-bureau credit monitoring alerts, restoration assist, and credit, bank, and utility account freezes



Created the new Internet Safety Course for students and teachers through our Banzai financial literacy program for schools



Introduced free Real-Time Payments allowing members to send money instantly to anyone with Send Money



Opened our second branch location in Chico, CA, at 969 East Avenue



Speed and performance improvements of the Members 1st website



Developed educational videos on all loan products and digital services webpage



Debuted the new Home Equity Term Loans



Introduced the new Enhanced Courtesy Pay program allowing protection for Debit transactions



Reduced hold times on Mobile Deposits



Introduced the new Business Lending program to support small businesses with vehicle, mortgage, or equipment loans



Added a Call-Back feature to reduce time spent on hold with our call center





GIVING BACK TO MOVE FORWARD

Members 1st is an active partner in our Northern California communities, where we serve, invest, and participate with local non-profits and events throughout the year. Whether it's time spent building sifting boxes for wildfire survivors, teaching financial literacy to our youth, hosting toy drives, or volunteering to serve with local non-profits, Members 1st regularly invests back into our community. As your neighborhood credit union, we aim to improve the financial well-being of our members, support families, and encourage outdoor activity. In 2021, Members 1st invested more than \$44,000 and 68 plus hours of volunteer hours from staff into our local communities.

Here are some of the programs, organizations, and events we've had the opportunity to support.

Helped grant wishes to local children with more than **\$5,800** toward Make-A-Wish Northern California

Sponsored **LOCAL HIGH SCHOOL** soccer and baseball programs

Provided free financial literacy curriculum to **12 local high schools** now totaling **31 teachers** served and **1,880 students** educated since its inception

Built more than **200 sifting boxes** for the community of Greenville and other local wildfire recovery centers from the destruction of the Dixie Fire

Supported the PRESERVATION AND USE OF OUR OUTDOOR PARKS AND OPEN SPACES

by partnering with organizations like the Butte Environmental Council, Enloe Medical Center Foundation, and Enjoy Movies in the Park



Donated **\$2,000** to the Community Foundation of the North State's Wildfire Recovery Fund

Donated **\$2,000** to the North Valley Community Foundation's COVID-19 Recovery Fund

Supported local community events such as the Redding Rodeo, Shasta County District Fair, Walk to End Alzheimer's, and Red Bluff Spooktacular

Provided **free swimming lessons** for local kids in partnership with Shasta Family YMCA

Collected **hundreds** of dollars of holiday toys for local children

Supported our local Chambers of Commerce with financial support

Sponsored sober grad events at **8 local high schools**

Ongoing support of more than **\$5,800** toward the rebuilding of the Honey Run Covered Bridge

Foundational support of the new Inspire **School of Arts and Science**



“Even during a year of challenges and significant growth, M1CU maintained its stellar reputation for service in our communities. We are incredibly proud to share that M1CU was named ‘Best in the North State’ for the sixth consecutive year! We are honored and grateful for your years of support.”

MEMBER SERVICE

It is the responsibility of the Supervisory Committee to inspect Members 1st Credit Union’s records for accuracy, its assets for security, and its procedures for the proper handling and use of funds. To achieve this, we review all operations and records, making sure adequate internal controls are maintained. Our efforts conclude that Members 1st Credit Union continues to be well-managed, safe and strong. To assist us in fulfilling our obligations, we have retained the services of an independent accounting firm. Its findings confirm that the credit union is financially and operationally sound.

Thank you for voting Members 1st Credit Union the Best Financial Institution in the North State for the sixth year in a row! We are grateful that our staff continue to provide you with excellent member service throughout the many challenges we have been faced in the last two years. In addition, the credit union was acknowledged in the top 3 Best of Chico competition for best financial institution in Chico, CA. The member surveys we receive from you throughout the year create our Net Promoter Score and reflects your loyalty to our credit union. Over the last year, we increased from 82.85% to 85.99% at the end of 2021. This is a remarkable rating as a score over 50 is considered excellent.

In November, we added our greatest convenience service – **A NEW BRANCH!**

Our newest branch is located at 969 East Avenue in Chico and offers two loan offices, dedicated parking, and a walk-up and drive-thru ATM. This second location is in Chico’s busy shopping district and will give members one more place to access their accounts and receive the personal service they expect.

As we continued to navigate the pandemic through 2021, our members enjoyed the freedom and convenience of our digital services. The use of online banking transactions increased 17%. Branch membership continues to grow as new members join Members 1st Credit Union due to our hours and availability. We have heard from our members that they appreciate our branch hours have been minimally impacted by the pandemic. Our free checking account coupled with easy-to-use online banking makes banking with the credit union convenient and hassle free.

“IN 2021 WE HAD \$8.2 MILLION IN CONSTRUCTIONS
LOANS APPROVED AND FUNDED \$7.9 MILLION TO
MEMBERS BUYING THEIR HOMES.”



LENDING A HAND

Member 1st is building our community and helping our members find that perfect home with both our construction loan program and purchase money mortgage loans. In 2021 we had \$8.2 million in constructions loans approved and funded \$7.9 million to members buying their homes.

We also helped our existing homeowners get a better rate and lower payments, with \$14.2 million funded through our 1st mortgage refinancing programs.

Our small business owners now can obtain member business loans through the credit union. Whether it is purchasing a vehicle, equipment, or even a building, Members 1st is there to help.

The credit union is committed to helping our members that need us most. Whether a member is a first-time buyer or has had credit problems in the past, we will look for ways to give a loan.

PUTTING PEOPLE FIRST

INCLUSIVE CULTURE

We strive to make each employee feel welcome, accepted for who they are, and empowered to do their best work. A crucial part of this effort is teamwork, using one's enthusiasm to promote career interests and growth with our fellow team members.

FLEXIBILITY

During the 2021 pandemic, the credit union was able to keep our branches open and introduced a new branch in the community of Chico. These accomplishments were made possible by offering our staff remote work capabilities, cross-training staff from our corporate office to just the sheer willpower of our staff's willingness to pitch in as a team and do jobs they had never done before.

TEAM TRAINING

Employees regularly gather weekly for team meetings and all-staff training on credit union products, services, operations, financial updates, information security, and more. A professional resource library is available to all staff containing books, webinars, and training to strengthen various professional skills including leadership, communication, diversity, equity, and inclusion.

MEMBERS 1ST ACADEMY

Employees receive product and service training through the credit union's video training platform, Members 1st Academy. These training courses aim to ensure our staff has the resources to educate our members on all Members 1st products services that help them achieve their financial goals and dreams.

CAREER PATH TO GROWTH

At the credit union, we invest in internal talent mobility, help employees understand why career agility is essential, and enable career growth on all levels of the credit union, not just high-potentials. Employees get to choose their path with Members 1st. The credit union has over 24 employees who have been with the credit union for seven years or longer and promoted to other positions within the career path.

65
TOTAL EMPLOYEES

22
NEW HIRES IN 2021

ONE
NEW BRANCH
OPENED IN 2021

33%
WORKPLACE
GROWTH





COMMUNITY SERVICE

Our passion is to help our community members through volunteerism and donations. In 2021 our staff members helped serve our community with “out of the box” events from the traditional in-person events due to the pandemic—virtual blood drives to Make a Wish in-house donations to the foundation.

COMPETITIVE PAY

We increase our starting teller wage to be above minimum wage annually, with a mid-year look at an additional cost of living adjustment (COLA) increase to offset the rise in living costs. We offer annual performance review increases based on the employee’s performance. We offer retention bonuses for new hire staff after 90 days. We award Annual Bonuses based on how well the credit union is performing. We offer referral bonuses to current staff who refer top talent that we can hire and retain.

SECURING YOUR FUTURE

Members 1st Credit Union prioritizes information security in its day-to-day operations. Keeping our member's information secure is built into the credit union's core DNA.

HERE ARE SOME OF THE WAYS MEMBERS 1ST IS KEEPING YOUR PERSONAL AND FINANCIAL INFORMATION SAFE:

We have all the necessary hardware and software to keep the bad guys out

We conduct regular training to educate our staff on securely using e-mail and web browsing

Staff train to correctly identify members before sharing private information

We partner with a third party for 24/7 monitoring of its internal network and external presence on the Internet

We regularly scan external and internal devices for known vulnerabilities

We use experts to guide us in having the most up-to-date controls and processes for the highest security stance

Online banking and mobile apps use industry-standard encryption to keep your data safe as you manage your account

Online banking and mobile apps use additional authentication mechanisms to help us know it is you

Account protection through multiple layers of security

In recent months, some members have been worried about the credit union being hacked and their money being lost. **Rest assured, your money is protected at M1CU with multiple layers of security and all deposits are federally insured!** Withdrawing too much cash can be risky. Cash can be lost, stolen, or destroyed. **We work hard to keep your money safe and secure!**



Aaron Moore
Chairman

SUPERVISORY COMMITTEE REPORT

It is the responsibility of the Supervisory Committee to inspect Members 1st Credit Union's records for accuracy, its assets for security, and its procedures for the proper handling and use of funds. To achieve this, we review all operations and records, making sure adequate internal controls are maintained. Our efforts conclude that Members 1st Credit Union continues to be well-managed, safe and strong. To assist us in fulfilling our obligations, we have retained the services of an independent accounting firm. Its findings confirm that the credit union is financially and operationally sound.



Ricki McClure
Board Chairman

BOARD CHAIRMAN'S REPORT

When the pandemic started, the Board of Directors made a promise that we would get through this together, and we've done a good job of it. Thank you to our staff for their efforts and adaptability as the pandemic changed how we do business.

Despite the continuing effects of the pandemic, 2021 was a year our members made great strides in improving their overall financial health. Deposits grew by 12.7% as loan growth slowed to 5.7% while our members paid off debt and took advantage of low-interest rates to refinance their mortgages. As the year ended, Members 1st Credit Union reached \$307 Million in assets with \$26 million in reserves. Even with continued deposit growth, M1CU maintained a healthy net worth of 8.13%. Historically low delinquency rates of .13% meant our members became stronger. These financial milestones reflect our members' confidence and our credit union's commitment to exceeding your financial service expectations.

The Board of Directors remains committed to keeping our members' assets and the credit union safe and secure. In addition, our priority is to ensure the credit union continues to provide superior service to our members while maintaining the health and safety of everyone. We hope you continue to find value in Members 1st Credit Union and look to us to serve your financial needs. On behalf of the entire Board of Directors, I thank each of you for your continued membership during these trying times. Please continue to share the benefits of credit union membership with your family, friends, and neighbors.



FINANCIAL REPORT

This past year was again challenging on many levels. But even with these challenges the credit union was able to provide needed loans and deposit accounts to our members, and total loan balances, total deposit balances and the number of members reached record levels for the credit union in 2021.

SOME HIGHLIGHTS FROM 2021 INCLUDE:

\$122 million
Loans totaling \$122 million were granted to members.

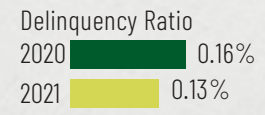
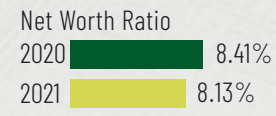
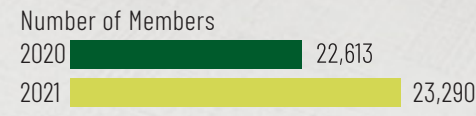
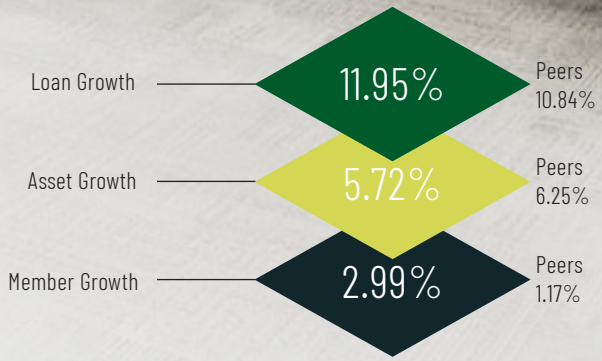
2,829
The credit union added 2,829 new members.

5.7%
Loan balances grew by +5.7%, up +\$12 million to a total of \$222 million

23,290
Membership grew by +3.0%, ending the year with 23,290 members.

12.7%
Deposit accounts grew by +12.7%, up +\$31 million to a total of \$278 million.

\$1.9 million
The net income was \$1.9 million





STATEMENT OF BALANCE SHEET

For the years ending December 31

ASSETS	2020	2021
Loans, Net of ALL	\$209,537,268	\$221,607,555
Investments	11,397,921	33,582,664
Cash and Demand Accts	39,630,737	36,455,301
Fixed Assets, Net	6,186,091	7,110,621
Other Assets	7,586,030	8,352,904
TOTAL ASSETS	\$274,338,047	\$307,109,045
LIABILITIES AND MEMBERS' EQUITY		
Notes Payable	2,000,000	1,000,000
Accounts Payable	1,602,520	2,415,980
Members' Shares	246,398,048	277,655,027
Equity	24,337,479	26,038,038
TOTAL LIABILITY & EQUITY	\$274,338,047	\$307,109,045

STATEMENT OF INCOME AND EXPENSES

For the years ending December 31

INTEREST INCOME	2020	2021
Loan Income	\$7,848,254	\$7,737,399
Investment Income	227,107	252,433
Other Income	2,496,672	2,871,301
GROSS INCOME	\$10,572,033	\$10,861,133
COST OF FUNDS		
Cost of Funds & Borrowing	617,759	378,925
OPERATING EXPENSES		
Salaries and Benefits	3,997,083	4,452,131
Other Operational Exp	3,590,286	4,029,656
Non-Operating (Inc)/Exp	-7,500	-69,901
Provision for Loan Loss	434,719	174,163
NET INCOME	\$1,939,686	\$1,896,159

*Unaudited