

# Best Reward<sup>SM</sup>

FEDERAL CREDIT UNION

Where Membership is the Best Reward



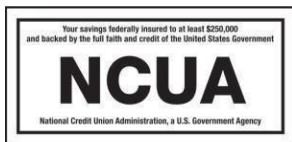
Brook Park Branch



Highland Heights Branch



Walton Hills Branch



## Best Reward Federal Credit Union's Vision

**To be our members' trusted financial institution. We believe that trust is built on the following 5 pillars:**

- **Safety and Soundness** – This is accomplished by maintaining a capital ratio that is at or above the designation of a well-capitalized credit union, maintaining a risk management culture to manage any unforeseen adverse events, and remaining in compliance with all laws, rules and regulations.
- **Transparency** – This is accomplished by presenting financial statements in a timely and accurate manner, presenting product disclosure that is clear and easy to read and understand, assessing and communicating any risks in a timely and accurate manner, and providing a clear delineation of roles and responsibilities.
- **Respect** – This is accomplished by treating all members with equal respect regardless of the depth of their relationship with the credit union and treating all employees with respect regardless of their title or pay grade.
- **Effective Solutions** – This is accomplished by offering solutions that are in the best interest of our members' financial health and making financial education and other resources available to help our members make prudent financial decisions.
- **Relationship Building** – This is accomplished by proactively developing member relationships and rewarding members who over time show trust and deepen their relationship with Best Reward.

## **Board of Directors**

Norman L. Alford, Chairman of the Board

Thomas Merritt, Jr., Vice Chairman

Louis L. Pastor, Treasurer

James A. Jackson III, Secretary

Steve Kadusky, Membership Officer

Frank Adamec, Director

Thomas Zmrazek, Director

## **Supervisory Audit Committee**

Richard Kistemaker, Chairman

Jack Federan, Secretary

Frank Adamec, Member

Mike Gammella, Member

Stanley Dykes, Building Security Overseer

## **Management**

John J. Shirilla, President/CEO

Allen P. Schreiber, CPA, EVP/COO

Judi Chorba, SVP of Finance

## The Annual Meeting of Best Reward FCU on March 21, 2024 at 4:00 PM - Meeting Agenda

- Call the Meeting to Order
- Annual Meeting Minutes 2022 Page 5-6
- Report of the Chairman Page 7
- Report of the Treasurer Page 8
  - Report of the Financials 2023 Page 9
- Report of the Supervisory Committee Page 10
  - Report of the Independent Auditor Page 11
- Report of the Nominating Committee Page 12
- Report of the President/CEO Page 13
- Unfinished Business
- New Business
- Adjournment

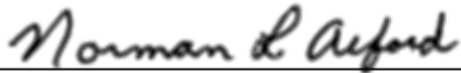


CEO Shirilla indicated that there was not any unfinished business or new business for the membership to act on at this meeting.

CEO Shirilla opened the floor for general member questions. There was a number of questions from the membership that he responded to and thanked the members for their questions.

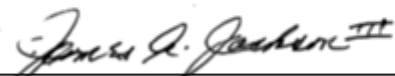
There being no further questions, CEO Shirilla called for a motion to adjourn at 4:30 p.m. Judi Chorba moved to adjourn the meeting. Second: Rebecca Rzeszut. There being no objection, the meeting was adjourned.

CEO Shirilla had Mr. Rzeszut spin for door prize drawings open to any member attending in person or virtually. Twenty \$20.00 door prizes were awarded to members to be deposited to the member's share account. The drawing concluded at 4:39 p.m.



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Chairman of the Board – Norman Alford



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Secretary – James A. Jackson III

## Report of the Chairman

Welcome and thank you for attending today's meeting. This year is once again a Hybrid Annual Meeting as permitted by the bylaws, meaning that members may attend virtually and in-person on a limited basis. We offer this option, as we believe it provides members more opportunities to participate and learn about their credit union's operations.

We are utilizing eSPACE Communications again for this year's meeting. The interface they provide is responsive where members can attend via smartphone, tablet, laptop, or any other internet-connected device that contains a modern web browser. Members may also attend in-person with limited seating (here) at our Highland Heights Branch.

In retrospect, 2023 almost went down in the history books as the year America lost faith in its banks. Over a few weeks in the spring of 2023, multiple high-profile regional banks suddenly collapsed: Silicon Valley Bank (SVB), Signature Bank, and First Republic Bank. These banks weren't limited to one geographic area, and there wasn't one single reason behind their failures. The news shocked the financial markets, pummeled the banking industry, and troubled the public. Notably, there were no credit union failures directly following the collapse of these banks. The NCUA Chairman Todd Harper in a statement on March 13, 2023 said, "The credit union system remains well-capitalized and on a solid footing."

In contrast to banks, credit unions are member-owned, meaning their primary focus is on serving the best interests of their members. These failures have demonstrated that shareholder-driven banks can fall prey to risky investments and questionable practices, which can jeopardize the financial security of their customers.

Our management team continued to leverage technology to provide the resources and attention our members needed, while also maintaining personalized service. Even with the financial unrest in 2023, Best Reward Federal Credit Union ended the year in a very strong financial position and that allowed us to not only weather the storm, but to post financial gains as well. This is only possible due to our loyal members, strong leadership, committed staff, and dedicated volunteers.

I would like to thank the management and staff for their dedication and vision throughout the economic trials that we have faced. I would also like to thank the Board of Directors for volunteering their time and making the commitment to ensure that this credit union remains strong and viable for many years to come. Lastly, I would like to express my sincerest appreciation to our members who place not only their money, but their confidence and trust in Best Reward Federal Credit Union. We look forward to serving you and your families in the year ahead.

**Norman L. Alford**  
**Chairman of the Board**

## Report of the Treasurer

Your credit union remains in a strong financial condition withstanding the prevailing challenges from the pandemic and current market unrest due to inflation. Members can continue to look to this credit union as a safe place to deposit their funds.

We constantly review and modify strategies to identify and protect against cybersecurity issues. We adopted a closely monitored Return on Equity (ROE) Strategy in 2015 which we continue to utilize as it has provided economic benefit. Furthermore, our balance sheet proved to be very well-positioned unlike multiple regional banks who collapsed in the spring of 2023.

At year-end 2023, assets totaled \$164,244,047 shares totaled \$124,012,663 and loans totaled \$32,073,314. Shares and loans decreased from last year's ending balance.

- Reserves, undivided earnings, and equity acquired in a merger remain strong and increased slightly from last year totaling \$22,848,896 at year-end.
- Net operating expenses as a percentage of average assets ended the year at 2.08%.
- Average loan balance ended the year at \$8,506, up from last year.
- Average share balance per member ended the year at \$9,911, down from last year.
- Total members at year-end numbered 12,512.

Best Reward Federal Credit Union is federally insured. Federally insured credit unions offer a safe place for you to save your money, with deposits insured up to at least \$250,000 per individual depositor. The National Credit Union Administration (NCUA) is the independent agency that administers the National Credit Union Share Insurance Fund (NCUSIF). Like the FDIC's Deposit Insurance Fund, the NCUSIF is a federal insurance fund backed by the full faith and credit of the United States government.

Best Reward Federal Credit Union is committed to remaining safe and sound, as that is a critical element in gaining the trust of our members. We appreciate your continued confidence and look forward to serving you and your families in 2024 and beyond.

**Louis L. Pastor**  
**Treasurer of the Board**



# Report of the Financials 2023

## Comparative Financial Statement

<b>Assets:</b>	<b>12/31/2023</b>	<b>12/31/2022</b>
Loans to Members	\$32,073,314	\$32,775,774
Cash & Equivalents	\$1,529,155	\$1,530,027
Investments	\$124,343,295	\$137,128,656
Other Assets	\$4,580,096	\$4,880,631
Fixed Assets	<u>\$1,718,187</u>	<u>\$1,740,356</u>
<b>Total Assets</b>	<b>\$164,244,047</b>	<b>\$178,055,444</b>

<b>Liabilities &amp; Equity:</b>		
Liabilities	\$1,974,812	\$2,616,240
Notes Payable	\$27,500,000	\$30,000,000
Members' Shares	\$124,012,663	\$135,463,480
Unrealized Gain/Loss Investments	-\$12,092,323	-\$12,424,614
Equity Acquired in a Merger	\$2,047,457	\$2,047,457
Reserves and Undivided Earnings	<u>\$20,801,439</u>	<u>\$20,352,881</u>
<b>Total Liabilities and Equity</b>	<b>\$164,244,047</b>	<b>\$178,055,444</b>

## Income and Expense Schedule

<b>Income:</b>	<b>12/31/2023</b>
Interest on Loans	\$1,882,478
Income from Investments	\$3,482,824
Other Operating Income	<u>\$892,411</u>
<b>Total Operating Income</b>	<b>\$6,257,712</b>

<b>Expenses:</b>	
Employee Compensation & Benefits	\$1,874,571
Travel and Education	\$16,119
Office Occupancy	\$261,368
Office Operations	\$182,343
Publicity and Promotions	\$80,626
Loan Servicing	\$255,801
Association Dues	\$2,450
Professional and Outside Services	\$1,190,315
Provision for Loan Loss	\$22,847
Examination and Supervision	\$31,122
Interest on Borrowed Money	\$1,272,880
Miscellaneous Operating	<u>\$54,916</u>
<b>Total Operating Expense</b>	<b>\$5,245,358</b>

<b>Income Before Dividends</b>	<b>\$1,012,354</b>
<b>Dividends on Shares</b>	<b><u>-\$563,796</u></b>
<b>Net Income/Loss</b>	<b>\$448,558</b>

Unaudited – Internally Prepared

## Report of the Supervisory Committee

Good Afternoon.

The Supervisory Committee is comprised of volunteers who are charged with ensuring that:

- The financial condition and operations of the credit union are accurately and fairly presented in the credit union's financial statements.
- The credit union's management practices and procedures are sufficient to safeguard members' assets.
- The members' share and loan accounts are verified against the records of the credit union. This was completed as of March 31, 2023 by our public accounting firm.

To assist in meeting the annual Supervisory Committee Audit requirements, the Committee engaged the services of the certified public accounting firm Lillie & Company LLC. An audit of the Financial Statements of Best Reward Federal Credit Union was completed as of June 30, 2023 and the letter to the Board indicated that the financial statements present fairly the financial position of the credit union. A written report of this audit is included in your annual report.

The accounting firm also performed extended audit procedures and other required reviews throughout the year on the financial records of Best Reward Federal Credit Union.

As a Federal Credit Union we are subject to examinations by our regulator and insurer, the National Credit Union Administration (NCUA). A routine onsite exam began on March 27, 2023 with an effective date of December 31, 2022. There were no items identified in the exam that required the Board or Committee's immediate attention.

The Committee members regularly review the operations and any new policies set forth by the Board of Directors. Based on our reviews and the reviews conducted on our behalf by our public accounting firm, we also believe the financial statements presented to the membership present fairly the financial condition of Best Reward Federal Credit Union and that the credit union continues to operate in a safe and sound manner, working towards the best interest of all members'.

We are pleased to report our findings and remain committed in our effort to assure the safety and soundness of members' ownership in Best Reward Federal Credit Union.

**Richard Kistemaker**  
**Chairman, Supervisory Committee**

# Report of the Independent Auditor

To The Board of Directors of Best Reward Federal Credit Union: We have performed an audit of the financial statements of Best Reward Federal Credit Union as of June 30, 2023 and 2022 and for the years then ended. Our report on these financial statements reads as follows:

## Opinion

We have audited the financial statements of Best Reward Federal Credit Union, which comprise the statements of financial condition as of June 30, 2023 and 2022, and the related statements of income and comprehensive income (loss), members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Reward Federal Credit Union as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Best Reward Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Best Reward Federal Credit Union's ability to continue as a going concern for 12 months beyond the issuance of the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Best Reward Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The audited financial statements and report of Independent Certified Public Accountants may be viewed at any of the credit union offices.

## **Report of the Nominating Committee**

Good Afternoon. The terms of office of two Directors; Franklyn Adamec and James A. Jackson III expire at this 2024 Annual Meeting. Both Directors provided the Nominating Committee with written confirmation of their qualifications to serve and that they desired to be nominated for election.

In consideration of the qualifications and record of service of both candidates; the Committee determined to nominate Franklyn Adamec and James A. Jackson III. As required by the bylaws, the Nominating Committee filed its nomination with the Secretary of the Credit Union.

The Nominating Committee posted a Call for Nominations notice on the website and in the branch offices on October 10, 2023. The Secretary posted an Election of Directors notice on the website and in the branch offices on December 19, 2023 regarding the action of the Nominating Committee and the petition process.

No nominations other than those of the two incumbents were received, nor were any petitions received. Notice of the Annual Meeting date was posted on the website, in the newsletter, in an email to members, and on the statement message. All notices met the requirement of the credit union bylaws.

The credit union's Election Policy stipulates "that an election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled."

Mr. Chairman, since there is only one nominee for each position to be filled, I move that Franklyn Adamec and James A. Jackson III be elected by acclamation.

**Louis L. Pastor**  
**Nominating Committee Chair**

### **Committee Members**

**Louis L. Pastor**  
**Norman L. Alford**  
**Steve Kadusky**

## Report of the President/CEO

Good Afternoon. Thank you for attending our Annual Meeting. As the Chairman indicated and for your convenience, we are once again conducting a Hybrid Meeting where you can join remotely or in-person (here) at our Highland Heights Branch Office. We appreciate your participation and membership with Best Reward Federal Credit Union.

Looking back over the last year, there were multiple high-profile banks that suddenly collapsed. These banks weren't limited to one geographic region and there wasn't one single reason behind their failures. Credit Unions are unlike big banks in a number of important respects. Banks are typically for-profit entities owned by shareholders who expect to earn stock dividends. Credit unions, on the other hand, are not-for-profit, member-owned cooperatives committed to the financial success of the individuals, families, and communities that they serve. Despite the struggles within the financial sector during 2023, there were no credit union failures following the collapse of these high-profile banks.

While managing federal regulations regarding credit risk, liquidity risk, interest rate risk, and cybersecurity risk factors, Best Reward continues to maintain a strong balance sheet and as a member-owned financial cooperative focusing on its members – we do not have the issues and characteristics that caused those financial institutions' to collapse last spring. The combination of our strong capital position, dedicated staff, and Board of Directors' oversight has served the credit union well.

In addition, we periodically share important consumer information, especially regarding fraud, to our members via email, in our newsletter, and our website. As your TRUSTED financial institution, we want to be proactive and help you protect yourself from local and national fraud and scams. The Federal Trade Commission (FTC) reported that consumers lost more than \$10 Billion to fraud in 2023 – the first time that losses have reached that benchmark. This is a 14% increase over reported losses in 2022. Best Reward will never call, text, or email you seeking personal or financial information such as Online Banking Credentials, Account Numbers, Debit or Credit Card Information, or Other Personal Identifying Information.

We may call you to verify account changes or recent account activity. However, if you receive a text, email, or call asking for your personal information or requesting (or demanding) you to wire, transfer, or otherwise provide monetary funds – pause and verify – do not engage. Call a Best Reward Branch to notify a Manager and be sure to report it immediately. Anytime you receive any suspicious communication, you should contact the source directly to verify its legitimacy. To help you manage your accounts, we highly recommend that you register for Best Reward Online or download our FREE Mobile Banking App and enroll for Account Alerts, so that you are aware of your account activity and can notify us right away if something seems suspicious. If you remain alert and do not provide your sensitive information; together we can reduce the risk of fraud and other financial crimes from impacting our community. Our staff is here to assist you, should you have any questions or concerns.

As the President and CEO, it is my responsibility to ensure that Best Reward offers its members' the products, services, and access they need; while remaining financially safe and sound. The combination of our capital position, the Board's understanding of moral hazards, and its long-term thinking approach, has been a sustaining factor for Best Reward and should continue to be, even if our economy experiences a recession. Whatever opportunities or challenges this year may bring; Best Reward is committed to providing you the highest level of member service. On behalf of the Best Reward Team, we appreciate your continued membership and trust.

**John J. Shirilla**  
**President/CEO**