

2023 Annual Report



Board of Directors

Corbyn Beck, Board Chair
Darron Niles, Vice Chair
Joel Vastine, Secretary
Daryl Empen, Treasurer
Karen Thode
Joel Thompson

Tom Pearson
Mike Smith
Nick Thompson
Diana Contreras
Pam Galvin
Jeff Condit



Chairman's Report

I am privileged to be able to give this year's Chairman's report, my first as Chair of Gas & Electric Credit Union. For those who may not know me, I am Corbyn Beck, and am employed by one of GECU's sponsor companies, Illinois Casualty Co. Illinois Casualty decided to join GECU back in 2012, as the Company saw the value of membership in GECU, including how it could save our employees money, and how they could have a say in their financial relationship, just as it's done for all of its members since 1935.

2023 was another unprecedented year in many respects. After the successful merger with Quad Cities Postal Credit Union was completed in September 2022, the biggest challenge this past year was managing the interest rate environment. The Fed increased interest rates to the highest level in over a decade, and at a faster pace than anytime in recent memory. Finally, it was a good time to be a saver! After well over a decade of low rates, CD rates reached over 5.00%, and we raised rates on many of our other deposit products as well. Dividend expense was over \$1.46 million, our highest level ever and double our expense in 2022. The rise in interest rates meant loan rates also increased. This put a damper on mortgage lending, but we still saw solid growth in auto loans and other areas.

With the rapid increase in rates, we saw much more competition for our members' deposits, and we, along with many institutions locally and nationally, saw an outflow of deposits in the second half of the year. Members could get very high rates in money market mutual funds and other financial products, and if we couldn't pay a competitive rate, you noticed. This outflow of deposits caused many institutions to borrow funds to be able to fund lending, or in some cases, stop lending. We are proud to say that was not the case with GECU.

Our operating expense/average assets ratio in 2023 was just 2.87%, among the lowest in the industry and more than .50% better than our local credit union competitors. This efficiency allows us to pay better deposit rates, not just on CDs, but on all of our products. In fact, we are in the top 5% of all credit unions, according to Callahan and Associates, for how much we return to our savers. Because of our higher-than-average dividends, our members have higher share balances, which is why we can continue lending when others have pulled back. In addition to ranking in the top 5% of credit unions for our return to savers, we also rank 2nd in our peer group, and 10th out of ALL 4,600 credit unions in the US, in member service usage.

Finally, after several years of struggling to grow membership, we opened more than 300 new accounts in 2023, our highest level since 2019, and 2nd highest level ever, outside of mergers. We recognize that we must continue to grow, to keep pace with rising expenses and investments in technology, so we are encouraged by this trend.

We had one director step down in 2023, Dennis Sekharan, and I want to thank him for his years of service on the Board. We appointed Jeff Condit from Friendship Manor in his place, and Jeff has stepped right in to successfully fill his shoes. Thank you to all of my fellow Directors for your continued dedication and stewardship of GECU. It is my honor to serve as Chair and to be a part of this organization, the best credit union in the area if not the country.

Respectfully Submitted,

Corbyn Beck
Board Chair

Statistical Data

Credit Committee

After two years of record mortgage growth, thanks to interest rates at record lows, 2023 was a different story. With the Fed increasing rates at a rapid pace to fight inflation, this had a direct effect on mortgage rates, and we saw mortgage originations slow to a crawl. However, auto lending saw a huge turnaround, even with higher interest rates. We granted \$2.7 million more in auto loans than the year before, and ended the year up \$2.46 million in auto loans outstanding.

Home Equity loans also saw solid growth, as members looked to consolidate debt or make improvements to their homes, in lieu of refinancing or moving up. And unsecured loans ended 2023 up \$622,000 in loans outstanding. For every dollar we have on deposit, we have 73¢ loaned out to members, which is a 4% increase over the year before.

Despite the increase in lending, we continued to maintain low delinquency and charge-off rates. Delinquent loans (loans over 60 days past due) were just .58% of loans outstanding at year-end, a slight decrease from 2022. Net charge-offs also declined, to just .177% of average loans, which was also lower than 2022.

Many credit unions were extremely aggressive in their lending over the past few years, both in volume and in underwriting. When most institutions, like us, saw an outflow of deposits in 2023, some were forced to stop lending in certain areas, like mortgages or auto loans, as they simply didn't have the cash or borrowing capacity to make new loans. That didn't happen at GECU. Thanks to our solid management and operating philosophy, we continued to make loans like always.

No one is sure where interest rates are headed in 2024. But no matter if they remain higher, or are made lower, we will be here to meet your borrowing needs. Extending credit and saving members money central to our mission of improving the lives of our members, and we look forward to doing just that in 2024 and beyond.

Credit Committee,
Karen Thode, Chairman
Mike Smith

	YEAR ENDING DECEMBER 31 2023	YEAR ENDING DECEMBER 31 2022
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**MEMBERS
AVERAGE TOTAL SHARES/
MEMBER**

MEMBERS	6135	6038
AVERAGE TOTAL SHARES/ MEMBER	\$17,315.24	\$17,700.05

**NUMBER OF LOANS
OUTSTANDING:**

Consumer	1383	1357
Signature	706	643
VISA Accounts	1431	1437
Mortgage	578	570

**AVERAGE AMOUNT OF LOANS
OUTSTANDING:**

Consumer	\$16,676.01	\$15,076.50
Signature	\$3,787.71	\$3,191.29
VISA Accounts	\$2,310.85	\$2,273.90
Mortgage	\$78,575.92	\$79,063.02

KEY RATIOS:

Net Worth/Total Assets	10.10%	9.64%
Net Income/Average Assets	0.55%	0.17%
Net Income Before Bonus Dividend/ Average Assets	0.18%	0.20%
Net Charge-offs/Average Loans	0.58%	0.68%
Delinquent Loans/Total Loans	2.59%	2.11%
Net Operating Expenses/Assets	73.44%	69.18%
Loans to Total Shares		



Supervisory Committee

The Supervisory Committee is made up of members of the Board of Directors, who cannot be officers nor members of the credit committee, to ensure their independence. Our role is to ensure the safety and soundness of the credit union, by ensuring we are operating within State and Federal rules and regulations, and following the internal policies approved by the Board of Directors.

The committee performs their duties in several ways. Members of the committee perform regular surprise audits throughout the year on various areas of operations. But given the growth, and growing complexity of our operations, we also engage with an external audit firm. This past year, we once again hired Selden Fox CPAs, LTD, for both our annual State-required full opinion audit, and for quarterly internal audit work covering a wide range of activities and operations. We are pleased to report that there we no findings or journal entries in our 2023 audit, and we received a clean opinion.

The committee thanks the staff for all of their assistance with our audit work, but especially Jamie Rogers, VP of Compliance, for her efforts to assist us and ensure that the credit union is up to date on our policies and all compliance issues. We would also like to thank former member Robert Graff, who resigned from the Board and the committee when he was appointed Fire Chief for the City of Rock Island.

Overall, we continue to be very pleased with the operations and sound financial management of the credit union.

Respectfully Submitted,

Joel Thompson, Chair
Tom Pearson

Statement of Income & Expenses

	2023	2022
INCOME		
Interest on Consumer Loans & Mortgages	\$3,500,777	\$2,707,331
Interest on Investments	\$920,907	\$27,488
Share Draft Fees and Charges	\$46,823	\$48,296
VISA Interest & Income	\$440,260	\$412,182
ATM/Debit Card Fees and Charges	\$436,306	\$406,796
Other Fees & Income	\$309,402	\$308,134
NCUSIF Members United Corp Dist.	\$9,525	\$82,705
TOTAL GROSS INCOME	\$5,663,999	\$3,992,932
OPERATING EXPENSES		
Salaries, Payroll Taxes & Employee Benefits	\$1,513,644	\$1,240,520
Normal Operating Expenses	\$1,544,890	\$1,296,196
Member Publications and Marketing	\$92,257	\$82,481
Depreciation	\$162,704	\$155,509
Employee & Director Education	\$45,567	\$46,780
Provision for Loan Losses	\$155,809	\$176,544
NCUSIF Share Insurance Expense	\$0	\$0
TOTAL OPERATING EXPENSES	\$3,514,871	\$2,998,029
DIVIDEND EXPENSE		
Normal Dividends	\$1,464,488	\$726,049
TOTAL DIVIDEND EXPENSE	\$1,464,488	\$726,049
NON-OPERATING INCOME (EXPENSE)		
Gain (Loss) on Investments	(\$39,331)	(\$76,460)
Gain (Loss) on Sale of Property	\$0	\$0
TOTAL NON-OPERATING INCOME (EXPENSE)	(\$39,331)	(\$76,460)
NET INCOME	\$645,309	\$192,394

10 Year History

YEAR	ASSETS	SHARES	LOANS
2014	\$64,435,869	\$55,216,873	\$41,300,764
2015	\$70,442,168	\$62,770,833	\$43,300,583
2016	\$71,272,831	\$62,782,924	\$44,625,474
2017	\$74,690,592	\$65,700,666	\$48,124,392
2018	\$78,206,110	\$69,486,274	\$54,700,500
2019	\$82,382,957	\$72,697,431	\$60,353,164
2020	\$103,325,503	\$88,006,080	\$63,308,831
2021	\$110,437,833	\$99,453,133	\$66,816,853
2022	\$116,713,734	\$106,872,919	\$73,933,471
2023	\$116,458,923	\$107,562,803	\$78,016,122

Statement of Financial Condition

	YEAR ENDING DECEMBER 31 2023	YEAR ENDING DECEMBER 31 2022
ASSETS		
Loans to Members	\$78,016,122	\$73,933,471
Reserve for Loan Losses	(\$796,024)	(\$651,177)
Investments	\$27,990,275	\$27,913,816
Shares in Corporate Credit Unions	\$4,180,997	\$7,989,989
Cash & Corporate Checking Accounts	\$2,219,159	\$2,420,220
Land, Building, Office Equipment	\$2,007,037	\$2,073,703
NCUSIF	\$989,586	\$1,004,414
Other Assets	\$1,851,771	\$2,028,173
TOTAL ASSETS	<u>\$116,458,923</u>	<u>\$116,712,609</u>
LIABILITIES		
Accounts Payable	\$1,333,798	\$1,817,078
Borrowings	\$0	\$0
Share Accounts	\$30,089,218	\$33,101,602
Share Certificates (CDs)	\$23,899,798	\$14,196,775
Share Drafts	\$25,051,933	\$27,834,974
Christmas Club	\$82,883	\$78,014
IRA Accounts	\$8,685,323	\$8,556,830
Money Market Accounts	\$18,419,848	\$23,104,724
TOTAL LIABILITIES	<u>\$107,562,803</u>	<u>\$108,689,997</u>
MEMBERS EQUITY (RESERVES)		
Regular Reserve	\$914,053	\$914,053
Undivided Earnings	\$10,315,491	\$9,802,103
Acquired Equity from RID Merger	\$538,119	\$535,119
Other Comprehensive Income	(\$1,185,705)	(\$952,027)
Unrealized Gain/Loss on Securities	(\$1,685,838)	(\$2,279,635)
TOTAL MEMBERS EQUITY	<u>\$8,896,120</u>	<u>\$8,019,612</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u>\$116,458,923</u>	<u>\$116,709,609</u>

2023 Annual Meeting Minutes

Gas and Electric Credit Union

2023 Annual Meeting Minutes

March 11, 2023

Chair of Board, Judy VanDeWoestyne, called the meeting to order at 6:35 PM at the Stern Center, Rock Island, Illinois. Judy asked Secretary, Joel Vastine, to read the call of the meeting. A quorum was present.

Judy VanDeWoestyne declared the 87th annual meeting of the Gas and Electric Credit Union officially open and welcomed the 173 members and guests present.

Judy VanDeWoestyne introduced the board members present. This included Daryl Empen, Joel Vastine, Tom Pearson, Karen Thode, Corbyn Beck, Joel Thompson, and Dennis Sekharan.

Reports:

Chair VanDeWoestyne presented the minutes of the 2022 annual meeting as printed. Al Shafer moved the minutes be adopted as printed. Motion was seconded by Steve Imming and passed.

Chairman

Judy VanDeWoestyne reviewed the Chair's report as printed in the annual report. Included in her report was merger with Quad Cities Postal Credit Union that took effect September 30, 2022. Chairman VanDeWoestyne also reported that she would be stepping down from the Board.

Credit Committee

Board member Karen Thode presented the Credit Committee's report as printed in the annual report.

Supervisory Committee

Board member Joel Thompson presented the Supervisory Committee's report as printed in the annual report.

President-Treasurer

President Daryl Empen presented his President's report as printed in the annual report.

Old Business

Chair VanDeWoestyne asked the secretary if there was any business remaining from the 2022 annual meeting. Secretary Joel Vastine indicated there was none.

New Business

Chair VanDeWoestyne asked Tom Pearson to read the report from the Nominating Committee consisting of Tom Pearson, Darron Niles, and Dennis Sekharan. Tom read the list of submitted names for nominations: Daryl Empen, Tom Pearson, Mike Smith, Karen Thode, Joel Thompson, Joel Vastine, Darron Niles, Dennis Sekharan, Corbyn Beck, Nick Thompson, and two new nominations of Diana Contreras and Pam Galvin.

Judy VanDeWoestyne called, three times, for nominations from the floor. Steve Imming moved to close the nominations. Roland Youngberg seconded, and the motion passed. Steve Imming then motioned to cast a unanimous vote for the slate of officers as presented. The motion was also seconded by Roland Youngberg and passed.

Chair VanDeWoestyne asked for a motion that the board be allowed to fill any vacancies that may occur during the upcoming year. A motion was made by Steve Imming. Motion was seconded by Al Shafer and passed.

There being no questions from the floor, Roland Youngberg moved to adjourn the meeting at 6:56 pm. Motion was seconded by Steve Imming and passed.

A drawing for door prizes was then held, followed by a GECU Trivia contest, and then a buffet dinner.

Judy VanDeWoestyne, Chair

Joel Vastine, Secretary

President's Report

If I am here to give this report, then it must mean our recent conversion was successful, or at least a work in progress. Aside from managing a chaotic interest rate environment, and continuing to focus on member service, our core data processor conversion took up much of our focus in 2023.

We have been with the same system since 2001, before there was internet banking, let alone smart phones. To say that this one is a bit more complex than the last would be just a bit understated. After evaluating systems for the better part of 2022, we made the decision to move to CU Interface, and their MPowered product, and have spent the better part of 2023 and this year preparing for this conversion. With dozens of third party interfaces and vendors to account for, and thousands of data points, this has been a simply massive undertaking. I want to thank my entire staff for their countless extra hours of work on this project and their positive attitude through this past year. Change is never easy, and this project is in addition to their primary job of serving our members. While there will no doubt be some items that are not perfect on day one, or week one, or perhaps month one, we are confident that in the long run, this move will allow us to be more efficient and to better serve you for the foreseeable future.



While the conversion has been a major focus, there were also other items of importance in 2023. CECL finally took effect. This regulation has been many years in the making, but it essentially changes how we must account for potential loan losses and set aside reserves for those losses. For us, this regulation took effect November 1st, and forced us to set aside an additional \$131,000 in loan loss reserves, even though our actual losses were at record lows year to date.

On the positive side, we saw a successful merger with Quad Cities Postal Credit Union. We saw traffic increase at our new Moline branch almost every single month, especially amongst GECU members. We saw positive growth in membership for the first time in several years, and hope to continue this into 2024. We saw solid growth in loans, and while deposits were down slightly, we ended the year on a positive note, with no borrowings outstanding, unlike many of our competitors.

I want to say a special thank you to our long-time Collections Manager, Dean Dearing, who retired in September after 13 years of service to the Credit Union. Dean was a valued member of our team and went above and beyond his job description to help wherever needed. We were also saddened to lose long-time employee Beverly Rice, who passed away unexpectedly in April.

I have been privileged to lead this credit union since 1999, and be a part of GECU since 1992. I have had the honor to work with many wonderful people, both on my staff and my Board of Directors. And we have as fine a group of people right now as I have experienced in my entire tenure. Thank you for your patience, especially this past week as our first week on the new system. And please know that no matter how much we grow, my door will always be open and I will never get too big to meet with you, one on one, no matter the issue.

Respectfully Submitted,
Daryl Empen, President