

2022 Annual Meeting Booklet Reports

BOARD OF DIRECTOR'S REPORT

On behalf of the Board of Directors, Committees and Staff, I welcome you to the 85th Annual Meeting of Northwoods Credit Union.

The world continues to change as we are still living with the COVID-19 pandemic and now global economic and geopolitical issues. Despite all of this, your Credit Union continues to provide needed services and is thriving among the uncertainty.

We continue to see growth in all key financial areas of assets, loans, shares, and equity; and we continue to see growth in member usage of our services such as debit cards. Despite the economic uncertainty in the near-term, the Board continues to focus on keeping the credit union financially sound and prepared for the future.

The management team has worked well with the Board, keeping us informed and providing educational opportunities to ensure we are able to fulfill our fiduciary responsibilities. The working relationship, including transparency, has resulted in a true team approach to directing the credit union.

The Board and management team lead by our CEO Doug Wolf, have done an outstanding job of keeping the credit union moving in the right direction and keeping it financially sound. The Board is composed of seasoned Directors who have demonstrated their experience in working cooperatively together to bring clear direction for the credit union and to keep the management team accountable.

As we began 2022, our longest tenured Director, Ann Dunaiski, decided that she needed to devote more time to other commitments, and she resigned from the Board in January 2022. Ann was appointed to the Board in May 2003 and continuously served on the Board until her resignation. We cannot thank Ann enough for her dedication and service to the credit union, including serving as a past Chair of the Board and most recently as Treasurer of the Board. While Ann's experience and insights are irreplaceable, we were fortunate to be able to appoint Kasey Olson to fill Ann's seat on the Board. Kasey has been a member of the Supervisory Committee for several years and comes to the board with an accounting background and a good knowledge of the credit union's services and operations.

I would also like to thank Nick Siltanen for his service to the credit union. Nick resigned his position on the Supervisory Committee in February 2022 due to other commitments. Nick served on the Supervisory Committee since April 2007, serving as Chair of the Supervisory Committee for many years. Nick's experience and commitment to the credit union in this capacity will be missed.

I want to thank my fellow Board members for all the work they continue put in to make our credit union the best it can be. The Board of Directors and I would like to thank our

President/CEO, Doug Wolf, and all of his management team and the staff for their dedication to serving our members and how they continue to manage through a very challenging time.

We wish to thank you, our members, for continuing to support your credit union by utilizing the services we offer. We look forward to many more successful years ahead.

Respectfully submitted,

Jeffery Kletscher, Board Chair

PRESIDENT'S REPORT

In 2021, the COVID-19 pandemic remained a disrupter in our business and personal lives. Our Management Team and staff worked diligently to keep services available to our members with no deterioration in service delivery. We also worked hard to ensure the credit union continued to grow and prepare for the future.

Financially, the credit union had a very successful year. In 2021 we ended the year with \$158.8 million in assets, up from \$140.0 million at year end 2020. Loans and shares grew in 2021 by \$19.1 million (17.9%) and \$17.6 million (13.6%), respectively. Membership grew by a net of 486 members, ending 2021 with 10,956 members. Net income was very good coming in at a positive \$1.2 million. This good net income was the result of loan growth and members utilizing our services. Expenses grew by 11.1% due in part to increased member activity and our continuing investment in staff and systems for our future. Total equity ended the year at \$12.1 million or 7.61% of total assets. While the ratio of total equity to assets is lower than in years past, due in part to the rapid asset growth, it is notably above the level to be considered "well capitalized" by both federal and state regulators.

Our Asset-Liability Committee, which meets at least monthly, is led by our Chief Financial Officer, Matt Ferrin, and comprised of our Executive Management Team, some Board Members, and our VP of Accounting. The Committee reviews the economy, interest rate movements, and trends in loans and deposits for both our credit union and for financial institutions in general. This Committee also reviews financial projections and analysis reports to insure we can weather any negative economic cycles. While we believe we will do well financially in 2022, the 2023 outlook is more of a moderated financial performance as high inflation and rapidly rising interest rates will put pressure on all financial institutions.

In February 2021 we fully reopened our renovated Ave B (Cloquet, MN) facility. As part of the remodel, we relocated the member lobby to the east end of the building. This move allows for better member service as the safe deposit box vault access is now in the member lobby space and our Member Service Representatives can more efficiently service the lobby and drive-up. Plus, we have located the office of our Financial Advisor, Ed Grondahl, within the member lobby and we now have the ability to section off his space, enabling him to meet with members outside of normal branch hours.

We had intended to also remodel and expand our Stanley Ave (Cloquet, MN) facility, however, after our experience in service delivery during the pandemic we realized that our staffing and facility needs in the future will significantly change. Therefore, as good stewards of our members' assets, we have decided to not expand the Stanley Ave facility, rather, we are planning a remodel without a building expansion to better accommodate needed staff and to refresh and improve the member spaces.

Our future continues to look very bright, and we are headed in the right direction for growth and safety. Steering the credit union is not something I can do alone, it takes the Board, Supervisory Committee, our Management Team, and our staff ... I cannot thank them all enough.

Finally, as always, we are very appreciative of our members trust in us and your support and use of the credit union's many products and services. As a financial cooperative, Northwoods Credit Union only works when you, our members, continue to pool resources for better rates and services, which is always our goal and mission.

Respectfully submitted,

Doug Wolf, President/CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee works in conjunction with the Board of Directors to monitor and review the Credit Union's performance and controls. Our job is to verify that operational and financial functions are performed in compliance with generally accepted accounting principles, federal and state regulations, and within the parameters of Board policies.

To assist the Committee in meeting its legal and regulatory obligations, the Committee retains the services of Tahtinen & Associates to perform certain ongoing internal audit procedures within the operations of the Credit Union. In addition, the Committee engaged the services of RSM US, LLP to perform an opinion audit on the credit union's financial statements. RSM issued an unqualified opinion report as of 6/30/2021. The reports from these independent firms are reviewed by the Committee, reported to the Board, and the Committee follows-up on any findings.

Based on the above independent audit procedures, and the on-going work of the Committee, the Supervisory Committee is pleased to report that in 2021 no material concerns were revealed.

The Committee expresses its gratitude to the Board of Directors, the credit union management, and the staff for their cooperation and assistance during the year.

Respectfully submitted,

Vicki Radtke, Chairperson