

89<sup>TH</sup>

**ANNUAL  
REPORT**



**FirstAlliance**  
CREDIT UNION

# OUR CORE VALUES



**TRUST**



**COMPASSION**



**INCLUSIVITY/  
DIVERSITY**



**INNOVATION**



**EMPOWERMENT**



**STEWARDSHIP**



**FLEXIBILITY**

# MINUTES OF THE VIRTUAL 88TH ANNUAL MEETING APRIL 22, 2021

**Call to Order:** Lisett Comai -Legrand called the 88th Annual Meeting of the members of First Alliance Credit Union to order at 6:02 p.m. The meeting was held virtual via Zoom.

**Certificate of Notice:** To whom it may concern: I, Russell Hess, do hereby certify that the following notice of the 88th Virtual Annual Meeting of First Alliance Credit Union to be held on April 22, 2021 at 6:00p.m. Notification was mailed to each member with their March 31, 2021 statement, emailed to those members who have an e-mail address on file and posted on the First Alliance Credit Union website:

“The 88th Virtual Annual Meeting of First Alliance Credit Union will be held on Thursday, April 22, 2021 via Zoom beginning at 6:00 p.m.”

**Declaration of Quorum:** Russell Hess, Secretary, certified that 76 members were present, which constitutes a quorum. Chairperson Hornberg declared the meeting official.

**Roll Call:** Board of Directors: Currie, Drennan, Hess, Hornberg, and Associate Director Said were in attendance. Supervisory Committee members Cronin, and Heldt were in attendance.

Director DeBolt, Olson, and Stonelake-Curtis were absent and excused.

Supervisory Committee member Eric Brown was absent and excused.

Executive Team: Rosek, Hettinger, Mathias, and Schouten were in attendance.

**Minutes of the 87th Annual Meeting:** A copy of last years' Annual Meeting Minutes and the Annual report is available on the First Alliance Credit Union's website [firstalliancecu.com](http://firstalliancecu.com) or upon request.

**Elections:** Chairperson Hornberg passed control of the meeting to the Chair of the Nominating Committee Chair Jane Drennan. The Nominating Committee submits a nomination to re-elect Hilary Stonelake-Curtis and Russell Hess to three-year terms expiring in 2024.

A motion was made by Jon Peterson, seconded by Mark Hettinger instructing the Secretary to cast a unanimous ballot for the two candidates for the Board of Directors. Motion

**MINUTES CONT.**

carried. Elected to the Board of Directors are Hilary Stonelake-Curtis and Russell Hess to three-year terms expiring in 2024.

The Nominating Committee submits a nomination to re-elect Peter Heldt to the Supervisory Committee to a three-year term expiring in 2024.

A motion was made by Greg Hird and seconded by Michael J. Nigbur instructing the Secretary to cast a unanimous ballot for the candidate for the Supervisory Committee. Motion carried. Re-elected to the Supervisory Committee is Peter Heldt for a three-year term expiring in 2024.

**Treasurer's Report, Credit Committee Report and the Supervisory Report:** Copies of the Treasurer's Report and the Supervisory Committee Report are in the annual report which are available on the First Alliance Credit Union website [firstalliancecu.com](http://firstalliancecu.com). Motion carried.

**Chairperson's Report:** Chairperson Hornberg acknowledged Russell Hess who has been on the Board of Directors for 10 years. Also acknowledged for 15 years of service on the Board of Directors was Bobbi Olson.

Peter Heldt was acknowledged for is 15 years of service that occurred in 2020.

**President's Report:** President Rosek acknowledged and congratulated Theresa Hornberg for her 5 years of service on the Board of Directors which also occurred in 2020. He also updated the attendees on the current state of the credit union and the success of the credit union through-out 2020 and the pandemic impact.

There was no new business.

**Adjournment:** A motion was made by Jon Peterson and seconded by Hayley Howard to adjourn the meeting at 6:21 p.m. Motion passed.

**Respectfully Submitted:**

*Theresa Hornberg*  
**Theresa Hornberg** | *Chairperson*

*Russell Hess*  
**Russell Hess** | *Secretary*

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# TREASURER'S REPORT

**Michael Rosek** | *President/CEO*

*Treasurer of the Board of Directors*

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In 2021 the credit union's assets grew by \$30.2 million reaching approximately \$266.9 million by the end of the year, a growth rate of 12.75%. Total deposits grew by \$28.3 million due primarily to increases within regular share and club accounts (\$15.6 million), share draft accounts (\$10.6 million), and money market accounts (\$7.0 million). This was offset somewhat by a slight decline in total certificates of deposit (\$4.9 million).

Overall new loan volume was strong, with total loans growing by \$21.2 million, or 12.42%, from 2020. Increases were seen within both the business and the consumer loan portfolios. Business loan volume rose (\$6.7 million) primarily due to growth within business real estate (\$7.6 million) which was fueled by historically low interest rates. Offsetting that slightly was a decline in business unsecured loan volume (\$1.8 million) due to final payoffs of PPP loans for small business relief. On the consumer side we saw an overall increase of \$14.5 million. Loan categories showing the largest increase include consumer auto participations (\$6.9 million), serviced mortgage (\$5.4 million), new vehicle (\$3.1 million), and used vehicle (\$1.9 million) loans.

We finished the year with approximately \$1.65 million in net income, up from \$1.36 million in 2020, or approximately \$284 thousand, or 20.82%. The increase is attributed to a number of factors including: a higher net interest margin (\$370 thousand) driven primarily by increased loan volume; higher non-interest income (\$996 thousand) largely due to receipt of Member's United Corporate Federal Credit Union capital refunds totaling approximately \$692 thousand; and a significantly lower provision for loan loss (\$830 thousand). This was somewhat reduced by higher non-interest expense (\$1.9 million) stemming primarily from costs associated with capital investments made in both our facilities and in technology.

Membership growth remained steady and we welcomed 3,241 new members during 2021. Included in that number are approximately 950 members obtained from a merger with A. E.

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Goetze Employees Credit Union in Lake City, MN on 7/01/21. The merger was also responsible for approximately \$5.0 million of our asset growth.

And finally, various key financial metrics at the end of 2021, including our loan-to-share ratio (79.55%), return-on-assets (0.66%), and our net worth ratio (9.48%) reflect the continued financial strength and stability of the credit union. Our 9.48% net worth ratio continues to be well above the 7.00% required by the National Credit Union Association (NCUA) to be considered well capitalized.

It is a pleasure serving you, and we thank you for your business and continued support.

**MEMBERS  
ARE AT THE  
HEART OF  
EVERYTHING  
WE DO.**

# SUPERVISORY COMMITTEE REPORT

**Leonard Cronin** | *Chairman of the Supervisory Committee*

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It is the primary responsibility of the Supervisory Committee to ensure the safekeeping of assets for all members of First Alliance Credit Union. In meeting this responsibility, the Supervisory Committee is to determine that internal controls are effective, established policies and procedures are adhered to, industry and governmental accounting practices and regulations are complied with, and there is cooperation with external reporting agencies.

In fulfilling the Supervisory Committee's responsibility in 2021, the accounting firm of Eide Bailly LLP was hired to perform a financial statement audit for the year ending March 31, 2021. As part of their annual audit, member share and loan account balances were verified, and internal controls were tested to ensure the safekeeping of First Alliance Credit Union's assets and the accuracy of the financial statements. Eide Bailly LLP presented their audit findings to a joint meeting of the Board of Directors and the Supervisory Committee on July 27, 2021. Management has responded to the audit findings with making appropriate changes. Eide Bailly LLP issued an unmodified (clean) opinion on the financial statements of First Alliance Credit Union dated March 31, 2021.

During 2021, Cyber Security and ACH audits were performed. The audit findings and management's responses were presented to the Board of Directors and the Supervisory Committee as the audits were completed with quarterly updates to Board of Directors and Supervisor Committee from the internal auditor on resolving outstanding audit findings.

In addition to overseeing the above audits and other external and internal reports, the Supervisory Committee oversees the internal audit department. This includes working with management and the internal auditor in reviewing the policies, procedures and planning to perform audits on various areas of the credit union. The reporting of audit findings and their resolutions to management, the Supervisory Committee and the Board of Directors is done on a quarterly basis.



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The Supervisory Committee also files with the Minnesota Department of Commerce a semi-annual report on their activities over the prior six-month period.

The Supervisory Committee would like to thank the management and employees of First Alliance Credit Union for their professionalism, cooperation and assistance during all examinations of the books, records, and systems of First Alliance Credit Union.

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# COMPARATIVE FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL CONDITION AS OF:

	12/31/21	12/31/20
<b>ASSETS</b>		
Personal Loans	\$104,977,158	\$93,022,881
Business Loans	36,151,825	29,467,467
Real Estate Loans	50,391,366	47,865,810
Deferred Loan Costs	1,021,579	1,108,513
Allowance for Losses	(1,598,448)	(1,748,975)
Cash and Equivalents	15,878,231	14,252,387
Investments	42,882,345	37,234,740
Fixed Assets – (net)	12,396,708	11,684,058
Prepaid Expenses	598,872	532,696
Other Assets	4,158,631	3,270,137
<b>Total Assets</b>	<b><u>\$266,858,267</u></b>	<b><u>\$236,689,714</u></b>

## LIABILITIES AND EQUITY

Dividends Payable	\$0	\$2,637
Other Liabilities	2,088,932	2,176,334
Share and Club Accounts	80,123,098	64,628,022
Share Draft Accounts	61,041,138	50,489,236
Money Market Accounts	75,050,750	68,012,168
IRA Savings Accounts	3,651,057	3,577,346
IRA and Share Certificates	19,664,741	21,583,374
Non-Member Deposits	0	2,962,000
Statutory Reserves	6,707,861	6,707,861
Other Reserves	18,530,690	16,550,736
<b>Total Liabilities and Equity</b>	<b><u>\$266,858,267</u></b>	<b><u>\$236,689,714</u></b>

**RESULTS OF OPERATIONS FOR  
THE 12 MONTHS ENDED:**

	<b>12/31/21</b>	<b>12/31/20</b>
<b>INTEREST INCOME</b>		
Interest-Personal Loans	\$5,902,969	\$6,479,637
Interest-Business Loans	1,869,985	1,347,929
Interest-Real Estate Loans	1,865,495	1,884,631
Investment Income	682,962	678,375
<b>Total Interest Income</b>	<b>\$10,321,411</b>	<b>\$10,390,572</b>
Interest and Dividends Expense	417,239	856,643
<b>Net Interest Margin</b>	<b>\$9,904,172</b>	<b>\$9,533,929</b>
<b>Total Other Operating Income</b>	<b>\$5,647,175</b>	<b>\$4,651,310</b>
<b>EXPENSES</b>		
Compensation and Benefits	\$6,484,336	\$5,672,311
Travel and Conference	172,119	89,277
Office Occupancy	798,506	693,934
Office Operations	1,399,776	1,194,279
Outside Services	2,305,783	2,138,380
Marketing	644,814	560,941
Lending Services	1,297,389	895,388
Other Professional Services	186,075	153,814
Member Insurance	8,606	0
All Other Expenses	289,293	276,758
<b>Total Expenses</b>	<b>\$13,586,697</b>	<b>\$11,675,082</b>
Provision for Loan Losses	316,470	1,146,000
<b>Net Income/(Loss)</b>	<b>\$1,648,180</b>	<b>\$1,364,157</b>



# FirstAlliance

CREDIT UNION

800.866.8199 | 507.288.0330

320 ALLIANCE PLACE NE, ROCHESTER

501 16TH STREET SE, ROCHESTER

2483 COMMERCE DRIVE NW, ROCHESTER

1011 TOMPKINS DRIVE NE, BYRON

300 N MAIN STREET, STEWARTVILLE

201 N 8TH STREET, LAKE CITY

[www.firstalliancecu.com](http://www.firstalliancecu.com) | [hello@firstalliancecu.com](mailto:hello@firstalliancecu.com)

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