



Your

72nd

**VIRTUAL ANNUAL
MEMBERSHIP MEETING**



We treat you like you own the place, *because you do!*

TUESDAY, APRIL 13, 2021 | 4:30 PM

AGENDA

- Welcome
- Thank you - Board of Directors and Supervisory Committee
- Thank you - Staff
- Virtual Meeting Instructions
- 71st Annual Meeting Minutes
- Board Reports
- New or Old Business
- Elect Nominees by Acclamation
- Adjourn Meeting
- Virtual Annual Meeting Survey
- Door Prize Drawings

MINUTES OF THE 71ST ANNUAL MEETING

Toro Employees Federal Credit Union | 71st Annual Membership Meeting Minutes | February 18, 2020

Chairman Paul Danielson called the annual meeting of the Toro Employees Federal Credit Union to order at 4:17 PM, February 18, 2020, at 8111 Lyndale Avenue South, Bloomington, Minnesota.

Members were notified of this annual meeting in The Toro Company "SAM page". There was also notification of the meeting included in the December 31, 2019 newsletter, eNewsletters, on the credit union website and meeting notices were posted in the credit union.

A roll call of the members of the Board of Directors and the Supervisory Committee was completed.

A quorum was established. More than fifteen members were in attendance. (A minimum of fifteen members is required to establish a quorum).

David Adams, current member, presented the report

of the nominating committee. The following members were nominated as candidates to assume four open positions on the Board of Directors as follows:

Director Candidates:

- Dennis Berkowitz
- Sarah Hartung
- Brandon Doherty
- Steven Peterson

Chairman Danielson asked three times if there were any nominations from the floor. No nominations were offered from the floor. A motion was made to close the nominations. Nominations were closed. All nominees were polled concerning their willingness to serve. All nominees present indicated their willingness to do so.

David Adams, noted there is only one candidate for each vacancy on the Board, and the Nominating



MINUTES CONTINUED...

Committee did not receive any additional nominations by petition following our ad on The Toro Company intranet page.

For these reasons, there will be no need to conduct a formal election by ballot. Instead, David requested the Board Chair to elect the four (4) candidates by acclamation via voice vote.

Chairman Danielson requested a voice vote and the ayes approved.

A motion was made and approved to waive the reading of the minutes from the annual meeting held February 19, 2019. Copies of these minutes will be made available upon request.

Chairman, Danielson read the report of the Chairman into record.

CEO, Grant Johnson, read the report of the CEO into record.

Director, Jeff Bieber read the report of the Treasurer into the record.

Frank Zschoche, Chairman of the Supervisory Committee read the report of the Committee into the record.

No unfinished business was carried over from the previous meeting.

New business was asked for from the floor and none was offered.

Prizes were awarded to the members attending the meeting. The grand prizes: one Toro mower and one Toro snow thrower were awarded to Matthew Decker and Pat Gerber.

83 members attended.

The results of the election were reported to the members present as follows:

Directors for the Three-year terms:

- Dennis Berkowitz (3YR)
- Sarah Hartung (3 YR)
- Brandon Doherty (3YR)
- Steven Peterson (1 YR)

A motion to adjourn the meeting was made and seconded. Chairman Paul Danielson adjourned the meeting at 4:43 P.M.

Mark Bailey, Reporting Secretary
David Yakes, Acting Secretary
Paul Danielson, Chairman



CHAIR REPORT

Fellow credit union members, thank you for choosing the Toro Federal Credit Union as your financial partner. We strive to offer you competitive financial offerings, while adding that “personal touch,” as we work with you, to help you achieve your financial goals.

It remains my privilege, to serve as the Board Chair of the Toro Credit Union and represent your interests, as well as working to assure that we remain a strong and vibrant entity, that you can continue to count on, as a valuable financial resource.

In a year that changed so abruptly, and with so much devastation to the economy, because of the COVID-19 Pandemic, your credit union has maintained its sound financial condition, through the tumult. This did not happen without the efforts of many, including our members, who handled their affairs, as well as possible, under sometimes challenging circumstances, efforts by our credit union staff, my fellow board members, and our Supervisory Committee. And of course, our sponsor company, The Toro Company, faced many headwinds this year too. Despite some dire macroeconomic forecasts, Toro came through the year in good shape. This is the single most important factor that influences how the credit union fares.

You will hear from others, detailing the financial and operational performance of the credit union in 2020. Here are a few generalized highlights:

Our credit union remains financially safe and sound

- We continue to deliver market competitive financial products, to you, our members
- We have made several systems upgrades, to serve your needs better

Lastly, in my closing comments, I wanted to reiterate my comments from last year, on our need to grow our membership. Thanks to everyone who has helped spread the word to co-workers and family members, that they should consider the Toro Credit Union, as their financial partner. In 2020, we made some positive member growth. We are starting to “turn the flywheel.” I would respectfully ask for your continuing support in sharing of the value proposition that we offer to our members. Thanks again for your support and participation in our “virtual” annual meeting.

Gratefully,

Paul Danielson, Board Chair

CEO REPORT

I am privileged to report on the credit union's operational performance for 2020. It was a challenging year due to COVID-19 for our members and their families.

We provided the following direct support to our membership due to the pandemic:

- \$1.3 million in loan extensions to help members financially
- Personal loans to assist members with financial needs
- Donated funds to the Melrose/Hoffman Employee Critical Needs Fund
- Donated funds to the Toro Employee Club Holiday Drive-Thru Party for children

Our investment in mobile and online services over the last few years, including our mobile app, mobile deposit, and online membership opening, allowed us to continue serving members when we were forced to close our lobby briefly at the height of the pandemic.

In 2020 we continued to deliver financial value to our members, with favorable rates on deposits, loans, and lower fees compared to credit unions our size nationwide.

The migration from payroll deduction to direct deposit has caused some challenges for Toro employees. We will continue to provide education, guidance, and assistance to these members.

I want to thank the Board of Directors, Supervisory Committee, and the entire Toro Credit Union staff for their hard work and efforts to represent and serve all of our members. I also want to thank all of our member-owners for your support and usage of our services.

In summary, the credit union is financially sound, and we are here to help you with your financial needs.

Grant Johnson, CEO

SUPERVISORY REPORT

Toro Credit Union's Supervisory Committee consists of Diane Noland, Tyler McMahon, and Frank Zschoche. The board of directors appoints the supervisory committee to monitor with reasonable assurance that members' funds and interests are protected. Our primary duty is to help ensure that the credit union's books, records, and practices comply with national and state regulations.

There are four main tools that we use to achieve our purpose:

1. Periodic audits of our financials, operations, and regulatory compliance are performed by the National Credit Union Association (NCUA). The NCUA is the federal agency that oversees credit unions and insures members' savings. Their last audit was performed in March 2020 with no significant findings. The NCUA attested that our credit union would continue to prosper with consistent dedication to meeting our membership's current and future needs safely and soundly.
2. Annual audits are performed by our external auditor, Clifton Larson Allen. Clifton Larson Allen conducted a procedures audit of the credit union for the 12 months ending March 31, 2020. They reported no significant findings that needed to be addressed during the last audit.
3. Outside auditors completed quarterly internal audits, annual BSA (Bank Secrecy Act), ACH, and SAFE Act audits in 2020. The credit union passed with no significant compliance issues.
4. The Supervisory Committee conducts additional internal control testing and provides general oversight. We keep the board informed of any issues that come to our attention by maintaining a regular dialogue with them and attending monthly board meetings. We did not find any issues to be concerned about during the past year.

Please be assured that we will continue to represent your interests and ensure as best we can that our credit union continues to be a safe, viable, and well-managed financial institution.

Thank you,

Supervisory Committee
Frank Zschoche, Chair
Diane Noland
Tyler McMahon



TREASURER

We all know that the Coronavirus Pandemic posed many challenges to all of us, including our credit union. Our credit union proactively and successfully adjusted its daily operations to meet the pandemic guidelines and still meet our members' needs. I want to extend a special congratulations to Grant and his team for making this all possible.

With that, I am happy to report Toro Credit Union's financial results for 2020.

Income Statement

- In 2020, total revenue was down 10%. This was driven by the decrease in market rates for loans, a decrease in interest on investments, plus the decrease in fees and service charges.
- We had to drop dividend rates in 2020 due to the drop in market rates. As a result, dividends paid to members were down 6%.
- Provision for loan loss expense for the year was up \$27,483 compared to 2019. This increase was primarily due to past due loans caused by the COVID-19 pandemic.
- Operating expenses were down 4% primarily due to a decrease in compensation, & benefits for the credit union staff, office operations, and marketing and promotional investments were also down from the prior year again due to the pandemic.
- The net result was a 53% decrease in net income for 2020. Net income for 2019 was \$245,000 while 2020 was \$116,000. As mentioned, this was primarily due to the decrease in loans and investment revenue and returning less dividends to credit union members but leveraged operating expenses that were added to the bottom line.

Balance Sheet

- Even during the pandemic, we saw a 2% growth in member loans, 16% growth in member deposits, and increased investments by 70% due to deposit growth exceeding loan growth.
- The key performance indicator on the Balance Sheet is our capital ratio, which is simply our retained earnings divided by our total assets. At the end of 2019, our capital ratio was 13.9% and 12.7% at the end of 2020. The ratio of 12.7% tells us that the credit union is on a very solid financial foundation and can weather unexpected financial storms. A credit union is generally considered "well-capitalized" with a 7% or higher ratio, so we are in great shape.
- As we look forward to the coming years, I am pleased to report that the credit union is well-positioned for growth and to deliver outstanding value to you, our members.

Thank you,

Jeff Bieber, Treasurer

STATEMENT OF FINANCIAL CONDITION

December 31, 2020 and 2019 | Unaudited

	2020	2019
Assets		
Cash and cash equivalents	\$344,675	\$388,981
Investments	8,621,838	5,063,116
Loans to members	25,466,335	24,876,693
Allowance for loan losses	(161,275)	(144,630)
Accrued interest receivable	45,819	44,037
Property and equipment, net of accumulated depreciation	40,968	11,659
NCUSIF Deposit	256,186	243,601
Other Assets	25,741	35,895
Total Assets	\$34,640,287	\$30,519,352
Liabilities		
Borrowed funds	0	0
Accrued interest payable	0	0
Accrued expenses & other	37,276	46,213
Liabilities	205,371	229,028
Member's accounts	30,012,662	25,974,628
Total Liabilities	30,255,310	26,249,868
Equity		
Retained earnings	4,384,978	4,269,484
Total member's equity	4,384,978	4,269,484
Total Liabilities and Equity	\$34,640,287	\$30,519,352

STATEMENT OF RETAINED EARNINGS

December 31, 2020 and 2019 | Unaudited

	Reserves	Undiv. Earnings	Total
Balance, December 31, 2018	482,209	3,542,707	4,024,916
Net Income		244,568	244,568
Transfers, Net			0
Accum./Unrealized gains/losses on Available-for-sale securities			0
	Reserves	Undiv. Earnings	Total
Balance, December 31, 2019	482,209	3,787,275	4,269,484
Net Income		114,994	114,994
Transfers, Net			0
Accum./Unrealized gains/losses on Available-for-sale securities		500	500
	Reserves	Undiv. Earnings	Total
Balance, December 31, 2020	\$482,209	\$3,902,769	4,384,978

INCOME & OPERATING EXPENSES

December 31, 2020 and 2019 | Unaudited

	2020	2019
Interest Income		
Interest on Loans	1,202,281	1,285,692
Interest on Investments	60,344	110,611
Total Interest Income	1,262,626	1,396,303
Interest and Dividend Expense		
Dividend on Savings	203,841	216,611
Interest on Borrowed Funds	48	214
Total Interest Expense	203,889	216,825
Net Interest Income	1,058,737	1,179,478
Provision of Loan Losses	64,980	37,542
Net Interest Income After- Provision of Loan Losses	993,757	1,141,936
Non-Interest Income		
Fees and Service Charges	169,079	186,443
Non-Interest Expense		
Compensation and Benefits	556,173	573,479
Office Operations and Occupancy	105,050	117,062
Marketing and Promotional	58,744	73,258
Loan Servicing Expense	49,527	45,798
Professional and Outside Services	255,458	257,388
Other Operating Expenses	23,946	28,065
Total Non-Interest Expense	1,048,898	1,095,049
Gain(Loss) on Sale of Assets	1,556	6,953
Net Income	\$115,494	\$240,284

Extraordinary Items		
Deposit Insurance Fund Dividend	-	4,284
	-	-
Net Income after Extraordinary Items	\$115,494	\$244,568

	2020	2019
ANALYSIS OF LOAN ACTIVITY		
Number of Members	3,175	3,123
Number of Loans this Year	880	1,122
Amount of New Loans	\$12,383,764	\$10,351,738
Loans Made Since Organization	\$244,124,871	\$231,741,107
Loans Charged Off Since Org.	\$2,042,456	\$1,979,402
Recoveries since Org.	\$343,004	\$328,235
Capital Ratio	12.65%	13.99%





We treat you like you own the place, *because you do!*

Thank you to the current Board of Directors and Supervisory Committee!

Officers/Directors

Paul Danielson	Chairman
Brandon Doherty	Vice Chair
Jeff Bieber	Treasurer
Sarah Hartung	Secretary
Dennis Berkowitz	Director
Steven Peterson	Director
David Yakes	Director

Supervisory Committee

Frank Zschoche	Chair
Tyler McMahon	Member
Diane Noland	Member

Thank you to the RLC Division for the Toro equipment door prizes!

Thank you to the amazing credit union staff!

Grant Johnson, CEO
Celebrating **29 years** of service!

Colleen Johnson,
VP, Accounting & Operations
Celebrating **6 years** of service!

Mark Bailey, VP, Lending
Celebrating **18 years** of service!

Patrick Rutten, SR Loan Officer
Celebrating **18 years** of service!

Fancy Lang, MSR Supervisor
Celebrating **6 years** of service!

Denise Berkebile, MSR
Celebrating **2 years** of service!

Gabriela Marquina, MSR
Celebrating **1 year** of service!