



Your
74th

**HYBRID ANNUAL
MEMBERSHIP MEETING**



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

TUESDAY, APRIL 18, 2023 | 4:15 PM CST

AGENDA

- Welcome
- Thank you - Board of Directors and Supervisory Committee
- Thank you - Staff
- Virtual Meeting Instructions
- 73rd Annual Meeting Minutes
- New or Old Business
- Election Results
- Adjourn Meeting
- Virtual Annual Meeting Survey
- Door Prize Drawings

MINUTES OF THE 73RD ANNUAL MEETING

Toro Employees Federal Credit Union | 73rd Annual Membership Meeting Minutes | April 19, 2022

Chairman Paul Danielson called the annual meeting of the Toro Employees Federal Credit Union to order at 4:15 PM, April 19, 2022, 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 eNewsletters, on the credit union website and meeting notices were posted in the credit union at least 14 days in advance.

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).

A motion was made, seconded, and approved to waive the reading of the minutes from the annual meeting held April 13, 2021.

Copies of these minutes are in the Annual Meeting Brochure.

1st motion Name: Michael Haffely
2nd motion Name: Michael Branson

The reports of the Chair, CEO, Treasurer and Supervisory Committee are in the Annual Meeting Brochure. A motion was made, seconded, and approved to read the reports of the Officers into the record.

1st motion Name: Delina Ferfon
2nd motion Name: Chad Petersen

The following members were nominated as candidates to assume two open positions on the Board of Directors as follows:

Director Candidates:

- Paul Danielson
- David Yakes



MINUTES CONTINUED...

Chairman Danielson noted there is only one candidate for each vacancy on the Board, and the Nominating Committee. For these reasons, there will be no need to conduct a formal election by ballot. Instead, the Board Chair to elect the two (2) candidates by acclamation.

Chairman Danielson requested a motion and a second and the ayes approved.

1st motion Name: Jon Stodola
2nd motion Name: Matt Weber

No unfinished business was carried over from the previous meeting.

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

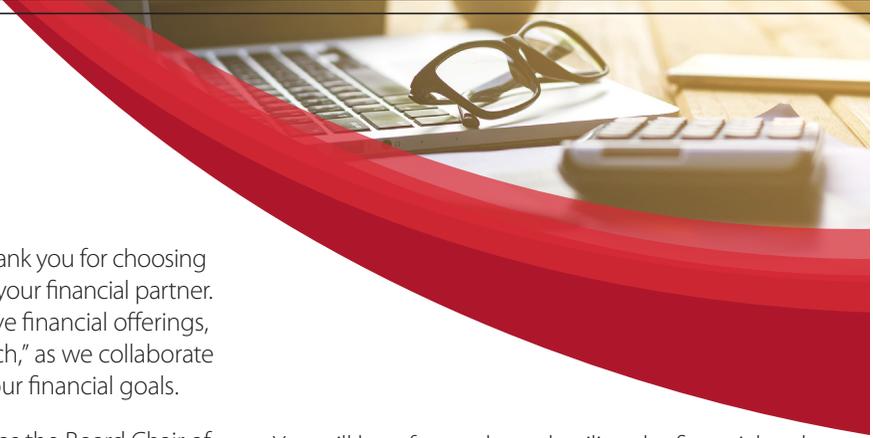
Prizes were awarded to the members attending the meeting. The grand prizes: one Toro mower and one Toro snow thrower were awarded to Karyn Rovder and Lance Letellier

103 members attended online.

A motion to adjourn the meeting was made and seconded. Chairman Paul Danielson adjourned the meeting at 4:28 P.M.

1st motion Name: Chad Petersen
2nd motion Name: Nathan Eyster

Grant Johnson, Reporting Secretary
Sarah Hartung, 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 collaborate 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.

This past year saw a migration back to closer to what we have historically considered to be “normal” business operations. “Hybrid work” has come into our lexicon and may be with us for the foreseeable future. The economy recovered very quickly, perhaps too quickly, with the “The Fed” working diligently to control inflation, and a resulting rapid rise in interest rates. Our sponsor, The Toro Company continues to grow – both economically and geographically. This dictates the need to grow the credit union membership across the U.S. We are starting to see an uptick in new members from several of Toro’s recent acquisitions. This drives the need to utilize new digital tools to better serve our members.

All of this did not happen without the efforts of many, including our members, who managed 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.

You will hear from others, detailing the financial and operational performance of the credit union in 2022. Here are some high-level observations:

- Our credit union remains financially sound
- We continue to deliver market competitive financial products, to you, our members
- We continue to improve our delivery of services, with you, the member in mind

Lastly, in my closing comments, I wanted to reiterate my comments from last year, on our need to continue 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 2022, we continued our 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 annual members meeting!

Gratefully,

Paul Danielson
Board Chair

CEO REPORT

I'm privileged to report on Toro Credit Union's operational performance for 2022.

We saw growth in membership, unexpected large loan growth due to pent-up demand, and deposits decline slightly due to members spending down government stimulus with high inflation in our economy.

As members move to digital delivery channels and lobby traffic has declined significantly, we have seen increased usage in:

- Online Banking
- Mobile Banking App
- Mobile Deposits
- Mobile Wallet – Apple Pay, Google Pay, and Samsung Pay
- Online Membership Application – with a majority of members joining online.

We add value to our borrowers by lowering their current loan rate when their credit score increases during the life of the loan.

Donated funds to the Toro Employee Club Holiday Party for children, Melrose-Hoffman Fund, Toro Employee Scholarship Fund, and Toys for Tots.

Members can give to charities with no fees via the NetGiver app.

In 2022 we continued to deliver financial value to our member-owners with favorable rates on deposits, loans, and lower fees. We use Callahan's Return to Member Score to measure member value, with our latest ranking at 4 stars (80% - 178 out of 879 credit unions in our asset size range).

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 our membership. I also want to thank our member-owners for their support and for trusting us for their financial services.

In summary, Toro Credit Union is financially sound and here to help our member-owners with their financial needs.

Grant Johnson, CEO

SUPERVISORY REPORT

The Supervisory Committee is appointed by the Board of Directors to independently evaluate the soundness of Toro Employee Federal Credit Union's operations and to monitor with reasonable assurance that members' funds and interests are protected. In addition, our primary duty is to help ensure that the credit union's books, records, and practices comply with national and state regulations. Toro Credit Union's Supervisory Committee consists of Diane Noland, Katelyn Stangler, and Frank Zschoche.

To fulfill our financial and regulatory compliance responsibilities, we meet and interact with the credit union's Board of Directors and senior management staff. In addition, we hire external auditors to help us fulfill our audit responsibilities.

We worked with our external auditor Clifton Larson Allen, LLP, to perform the annual procedure audit of the credit union for the 12 months ending March 31, 2022. Clifton Larson Allen, LPP, issued our final report with no significant findings.

In addition, quarterly audits, BSA (Bank Secrecy Act), ACH, and SAFE testing were completed with the help of our compliance and audit consultant from the Minnesota Credit Union Services Corporation. The credit union passed with no significant compliance issues.

The Supervisory Committee performs additional internal control testing and general oversight. We keep the Board of Directors informed of any issues that come to our attention by maintaining a regular dialogue and attending monthly board meetings.

In February 2022, the National Credit Union Administration (NCUA), the regulatory agency for all federally chartered credit unions, performed its periodic examination of our financials, operations, and regulatory compliance. As a result, the NCUA attested that Toro Credit Union would continue to prosper with continued dedication, meeting our membership's current and future needs safely and soundly.

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

Katelyn Stangler



TREASURER

As we continue to find normality in our daily lives, the Coronavirus Pandemic continues to pose challenges to all of us, including our credit union. Toro Credit Union proactively and successfully adjusted its daily operations to meet the pandemic guidelines and still meet all of our member-owners' 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 the credit union's financial results for 2022.

Income Statement

- In 2022 total revenue was up 8%. This was driven by the increase in market rates for loans and the increase in interest on investments.
- We had to increase dividend rates in 2022 due to the increase in market rates. As a result, dividends paid to members were up 12%.
- Provision for loan loss expense for the year was up \$16,105 over 2021 due to more past-due loans.
- Operating expenses are up slightly from the prior year. Compensation & benefits for the credit union staff are up, along with office operations. Marketing and promotional investments were down. Professional and outside services were up. Bringing the year-over-year expenses up 4% from the prior year.
- The net result was a 10% decrease in net income for 2022. Net income for 2021 was \$322K, while 2022 was \$289K. In 2021 we had a dividend of \$143K from an insurance fund that went to the bottom line; in 2022, the dividend was \$69k. We do not expect any more refunds.

Balance Sheet

- We saw a 17% increase in member loans but a 2% decrease in member deposits, and a decrease in investments by 34% due to loan growth exceeding deposit growth.
- The key performance indicator on the Balance Sheet is our capital ratio, simply our retained earnings divided by our total assets. At the end of 2021, our capital ratio was 12.2%, and 12.6% at the end of 2022. Our ratio of 12.6% 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 Toro Credit Union is well-positioned for growth and to deliver outstanding value to you, our member-owners.

Thank you,
Jeff Bieber Treasurer

STATEMENT OF FINANCIAL CONDITION

December 31, 2022 and 2021 | Unaudited

	2022	2021
Assets		
Cash and cash equivalents	\$120,685	\$329,923
Investments	8,848,434	13,353,121
Loans to members	28,449,607	24,298,920
Allowance for loan losses	(175,547)	(135,950)
Accrued interest receivable	65,079	52,557
Property and equipment, net of accumulated depreciation	24,606	35,941
NCUSIF Deposit	328,620	297,406
Other Assets	122,075	29,025
Total Assets	\$37,783,559	\$38,260,943
Liabilities		
Borrowed funds	0	0
Accrued interest payable	0	0
Accrued expenses & other	44,508	45,511
Liabilities	258,269	134,105
Member's accounts	32,709,734	33,414,138
Total Liabilities	33,012,512	33,593,755
Equity		
Retained earnings	4,771,047	4,667,188
Total member's equity	4,771,047	4,667,188
Total Liabilities and Equity	\$37,783,559	\$38,260,943

STATEMENT OF RETAINED EARNINGS

December 31, 2022 and 2021 | Unaudited

	Reserves	Undiv. Earnings	Total
Balance, December 31, 2020	482,209	3,902,769	4,384,978
Net Income		322,440	322,440
Transfers, Net			0
Accum./Unrealized gains/losses on Available-for-sale securities		-40,230	-40,230
			0
	Reserves	Undiv. Earnings	Total
Balance, December 31, 2021	482,209	4,184,979	4,667,188
Net Income		289,198	289,198
Transfers, Net			0
Accum./Unrealized gains/losses on Available-for-sale securities		-185,339	-185,339
			0
	Reserves	Undiv. Earnings	Total
Balance, December 31, 2022	\$482,209	\$4,288,838	4,771,047

INCOME & OPERATING EXPENSES

December 31, 2022 and 2021 | Unaudited

	2022	2021
Interest Income		
Interest on Loans	1,266,715	1,169,628
Interest on Investments	74,291	57,419
Total Interest Income	1,341,005	1,227,047
Interest and Dividend Expense		
Dividend on Savings	130,387	116,806
Interest on Borrowed Funds	2,783	8
Total Interest Expense	133,170	116,814
Net Interest Income		
	1,207,835	1,110,233
Provision of Loan Losses	81,445	65,340
Net Interest Income After- Provision of Loan Losses		
	1,126,390	1,044,893
Non-Interest Income		
Fees and Service Charges	183,045	178,479
Non-Interest Expense		
Compensation and Benefits	552,870	530,532
Office Operations and Occupancy	118,503	114,303
Marketing and Promotional	51,560	53,862
Loan Servicing Expense	56,105	63,870
Professional and Outside Services	275,718	254,923
Other Operating Expenses	34,694	29,660
Total Non-Interest Expense	1,089,449	1,047,150



Gain(Loss) on Sale of Assets	108	2,823
Net Income		
	\$220,094	\$179,045
Extraordinary Items		
Deposit Insurance Fund Dividend	69,105	143,395
Net Income after Extraordinary Items		
	\$289,198	\$322,440





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	Chair
Brandon Doherty	Vice Chair
Jeff Bieber	Treasurer
Sarah Hartung	Secretary
Dennis Berkowitz	Director
Jon Stodola	Director
David Yakes	Director

Supervisory Committee

Frank Zschoche	Chair
Katelyn Stangler	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 **31 years** of service!

Colleen Johnson,
VP, Accounting & Operations
Celebrating **8 years** of service!

Mark Bailey, VP, Lending
Celebrating **20 years** of service!

Patrick Rutten, SR Loan Officer
Celebrating **20 years** of service!

Denise Berkebile, SR MSR
Celebrating **4 years** of service!

Stacey Stokke, MSR
Celebrating **1 month** of service!