

2016 Annual Report



**Building Trades
Credit Union**

www.buildingtradesCU.com

A MESSAGE TO OUR MEMBERS

Your Credit Union had a very strong year in 2016. Lending to our members provides the Credit Union with its main source of revenue. And 2016 brought the strongest annual rate of growth in our loan portfolio since 2005. And although interest rates remained extremely low throughout the year, we managed to improve the rate of return on our investments. Together, the loan growth and investment returns helped us to achieve a net income of \$611 thousand for the year.



The growth in loans can be attributed to several external factors: the continued strength of the general economy, the improved financial status of workers in the building and construction trades, and the continuation of the low interest rate environment. But two internal factors contributed to this growth as well: your Credit Union's innovative and aggressive marketing efforts, and the hard work and dedication of our lending staff.

You may ask, "As a not-for-profit cooperative, why is it important for BTCU to achieve loan growth and improved profit levels?" There are two reasons. Firstly—safety and soundness. Profits build our Net Worth and improve the Net Worth Ratio that regulators use as the key measure of our safety and ability to endure the ups and downs of the economy. Secondly—improved earnings make it possible to give back to our members by keeping rates low on loans and allowing us to minimize the amount of fees we charge to our members for the services we provide.

Because of our improved earnings, several fees have been eliminated for 2017 including coin counting, online Bill Payment services, mobile deposit services, and account history print-outs.

And 2016 was another busy year for our staff and management team:

- > We doubled the size of our Bloomington office and relocated our Business Services, First Mortgage, and Member Solutions departments to that office.
- > We completed a major redesign of our website to incorporate a responsive design which automatically adapts the site to the device you are using, making our website much easier to use with a mobile device such as a smartphone or tablet.
- > We hired two lenders who are fluent in Spanish to give us an improved capability to serve a significant segment of our membership.

- > We continued our support for the union labor community through:
 - our scholarship program which awarded \$10,000 to members in support of post-secondary education,
 - donations to union locals in support of their events and charitable causes, and
 - on-going support to Working Partnerships. For the fourth year, the donations from our generous members were matched by the Credit Union. Combined with our other support, we've now donated over \$34,000 to this organization which provides emergency financial assistance, food assistance, referrals, and advocacy services to union families.

In the coming year, we'll continue to pursue growth in lending because this is where we can really make a difference in the lives of our members by providing economical financing for things that are important to them. We'll also continue to work toward making our operations more efficient to keep our costs under control.

And we've recently made two organizational changes that we believe will help us to enhance our members' experiences at BTCU:

- > Kristie McCurdy, formerly the manager of our Bloomington office, has been named Consumer Lending Manager. Kristie will be working with our lenders at all three offices to ensure that our members' lending needs are being met in a uniform manner.
- > Chantelle McClure, formerly the manager of our Shoreview office, has been named Member Services Manager. Chantelle will lead the effort to standardize procedures and improve member services at all three of our offices.

In the financial services industry, change is on-going. Some of this change is driven by technological innovations. Some is driven by economic factors. Some is driven by the ever-shifting regulatory landscape. But since its founding in 1957, Building Trades Credit Union has remained focused on serving its members, and that is something that will not change.

Bill Daehn, President & Chief Executive Officer

STATEMENT OF INCOME

(Unaudited for the year ended December 31)

2016

2015

INTEREST INCOME

Interest income on loans	\$3,365,359	\$3,098,624
Interest income on investments	<u>706,749</u>	<u>670,701</u>

Total interest income	\$4,072,108	\$3,769,325
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Interest Expense	<u>149,455</u>	<u>173,069</u>
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Net interest income	\$3,922,653	\$3,596,256
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Provision for Loan Losses	<u>134,333</u>	<u>0</u>
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Net interest income after provision	\$3,788,320	\$3,596,256
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NON-INTEREST INCOME

Fee income	\$ 666,107	\$ 553,084
Other income	<u>959,844</u>	<u>849,196</u>

Total non-interest income	\$1,625,951	\$1,402,280
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NON-INTEREST EXPENSE

Salaries and benefits	\$2,280,702	\$2,156,401
Other operating expense	<u>2,521,828</u>	<u>2,403,770</u>

Total non-interest expense	<u>\$4,802,530</u>	<u>\$4,560,171</u>
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Net income before non-operating income	\$ 611,741	\$ 438,365
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NON-OPERATING INCOME (EXPENSE)

Net non-operating income (expense)	<u>0</u>	<u>37,863</u>
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Net income	<u>\$ 611,741</u>	<u>\$ 476,228</u>
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KEY STATISTICS

2016

2015

Return on Average Assets	0.48%	0.39%
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Net Capital/Assets	12.06%	11.88%
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Loans/Shares	65.73%	60.96%
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Loans Delinquent 60+ Days/Loans	0.12%	0.24%
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STATEMENT OF CONDITION

(Unaudited at December 31)

2016

2015

ASSETS

Cash & cash equivalents	\$ 6,855,951	\$ 5,118,905
Investments	40,925,961	47,122,225
Loans, net of allowance	74,329,733	67,055,528
Other assets	<u>8,243,980</u>	<u>7,906,125</u>
Total assets	<u>\$130,355,625</u>	<u>\$127,202,783</u>

LIABILITIES & NET WORTH

Members' shares	\$113,890,976	\$111,038,491
Dividends payable & other liabilities	844,352	1,086,884
Net Worth	<u>15,620,297</u>	<u>15,077,408</u>
Total liabilities & net worth	<u>\$130,355,625</u>	<u>\$127,202,783</u>

KEY STATISTICS

2016

2015

Share Growth	2.57%	9.49%
Loan Growth	10.61%	6.32%
Asset Growth	2.48%	7.25%
Number of Membership Accounts	17,193	17,254

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is responsible for verifying the accounts of members, meeting the audit requirements specified in regulations, and making recommendations to the Board of Directors for improving operations within the Credit Union.

In that respect, the Committee engaged the CPA firm Eide Bailly LLP to conduct a balance sheet audit and member verifications as of June 30, 2016, and perform various internal audit and compliance procedures throughout the year.

The Committee believes controls are adequate, member accounts are accurate, and the Credit Union is being managed in a safe and sound manner.

Dave Schutta, Chairman, Supervisory Committee

VOLUNTEERS

BOARD OF DIRECTORS

Frank Vento, Chairman
Ironworkers Local 512

Jamie Hermansen, Vice Chairman
Operating Engineers Local 49

Russ Scherber, Financial Secretary
Pipefitters Local 539

Tim Bruhjell, Recording Secretary
Sprinkler Fitters Local 417

Rick Gale
Plumbers Local 34 JATC

Tom Reger
Cement Masons Local 633 JATC

Rick Eilers
Plumbers Local 15

SUPERVISORY COMMITTEE

Dave Schutta, Chairman
Cement Masons Local 633

Rick Eilers
Plumbers Local 15

Joe Lane
Plumbers Local 15

Barry Davies
Ironworkers Local 512

Doug Schroeder
Bricklayers & Allied Craftworkers Local 1

MANAGEMENT TEAM

Bill Daehn

President & Chief Executive Officer

Mark Kotzer

Vice President & Chief Financial Officer

Andrea Ferkingstad

Vice President Marketing & Operations

Barb Klein

Vice President Compliance

Jay Stevens

Vice President Commercial Lending, Business & Union Services

Chantelle McClure

Member Services Manager

Kristie McCurdy

Consumer Lending Manager

Brad Benson

Mortgage Lending Manager

Verlene Ensrud

Member Solutions Coordinator

LOCATIONS



Maple Grove

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Maple Grove, MN 55369

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📄 (763) 315-3826

✉ Email



Shoreview

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Shoreview, MN 55126

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📄 (651) 486-9072

✉ Email



Bloomington

9741 Lyndale Ave South
Bloomington, MN 55420

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