

Best RewardSM

FEDERAL CREDIT UNION

Where Membership is the Best Reward



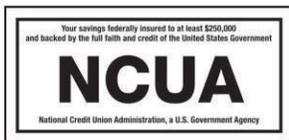
Brook Park Branch



Highland Heights Branch



Walton Hills Branch



Best Reward Federal Credit Union's Vision

To be our members' trusted financial institution. We believe that trust is built on the following 5 pillars:

- **Safety and Soundness** – This is accomplished by maintaining a capital ratio that is at or above the designation of a well-capitalized credit union, maintaining a risk management culture to manage any unforeseen adverse events, and remaining in compliance with all laws, rules and regulations.
- **Transparency** – This is accomplished by presenting financial statements in a timely and accurate manner, presenting product disclosure that is clear and easy to read and understand, assessing and communicating any risks in a timely and accurate manner, and providing a clear delineation of roles and responsibilities.
- **Respect** – This is accomplished by treating all members with equal respect regardless of the depth of their relationship with the credit union and treating all employees with respect regardless of their title or pay grade.
- **Effective Solutions** – This is accomplished by offering solutions that are in the best interest of our members' financial health and making financial education and other resources available to help our members make prudent financial decisions.
- **Relationship Building** – This is accomplished by proactively developing member relationships and rewarding members who over time show trust and deepen their relationship with Best Reward.

Board of Directors

Norman L. Alford, Chairman of the Board

Thomas Merritt, Jr., Vice Chairman

Louis L. Pastor, Treasurer

James A. Jackson III, Secretary

Steve Kadusky, Membership Officer

Frank Adamec, Director

Thomas Zmrazek, Director

Supervisory Audit Committee

Richard Kistemaker, Chairman

Jack Federan, Secretary

Frank Adamec, Member

Stanley Dykes, Building Security Overseer

Management

John J. Shirilla, President/CEO

Stephen F. Halas, EVP/COO

Judi Chorba, SVP of Finance

The Annual Meeting of Best Reward FCU on March 23, 2023 at 4:00 PM - Meeting Agenda

- Call the Meeting to Order
- Annual Meeting Minutes 2021 Page 5-6
- Report of the Chairman Page 7
- Report of the Treasurer Page 8
 - Report of the Financials 2022 Page 9
- Report of the Supervisory Committee Page 10
 - Report of the Independent Auditor Page 11
- Report of the Nominating Committee Page 12
- Report of the President/CEO Page 13
- Unfinished Business
- New Business
- Adjournment

Shirilla asked if there was any unfinished business. There was none.

Shirilla asked if there was any new business. There was none.

Motion to adjourn: Kadusky,
None opposed.
Meeting adjourned at 12:41pm.

Second: S. Rzeszut
Motion carried.

Attested
to



Chairman of the Board – Norman Alford

Attested
to



Secretary – James A. Jackson III

Report of the Chairman

Welcome and thank you for attending today's meeting. It's hard to believe that the last in-person Annual Meeting of the membership was held on March 24, 2019. The Annual Meeting was held virtually in 2020, 2021, and 2022. We hope that we are now on the other side of the pandemic. This year we chose to have a hybrid Annual Meeting as permitted by the bylaws, meaning that members may attend virtually and in-person on a limited basis. We chose this option for the meeting as we believe it will provide members more opportunities to participate and learn more about their credit union's operations.

In an effort to improve the virtual experience, we teamed up with eSPACE Communications for today's meeting. The interface is completely responsive where members can attend via any smartphone, tablet, laptop, computer or any other internet-connected device that contains a modern web browser or members may attend in-person at our Highland Heights Branch with limited seating.

As we moved from a pandemic to an endemic and wrestled with the "new normal" our team continued to leverage technology to provide the resources and attention our members needed, while also maintaining personalized service. Even with the current economic unrest in 2022, Best Reward Federal Credit Union ended the year in a very strong financial position and that allowed us to not only weather the storm, but to post financial gains as well. This is only possible due to our loyal members, strong leadership, committed staff, and dedicated volunteers.

We welcomed the members from Western Region FCU and UTU FCU, two credit unions whose members voted to merge with Best Reward FCU in 2022. This made for a busy year as we worked to integrate the systems and members of these two credit unions. We thank the board and staff of those credit unions for all of their efforts in that process.

I would like to thank the management and staff for their dedication and vision throughout the economic trials that we have faced. I would also like to thank the Board of Directors for volunteering their time and making the commitment to ensure that this credit union will be here for many years to come.

Lastly, I would like to express my sincerest appreciation to our members who place not only their money, but also their confidence and trust in Best Reward Federal Credit Union. At Best Reward, we continue to work to provide products and services that meet your needs. We look forward to serving you and your families in the year ahead.

Norman L. Alford
Chairman of the Board

Report of the Treasurer

Your credit union remains in a strong financial condition withstanding the challenges from the pandemic and current market unrest due to inflation. Members can continue to look to the credit union as a safe place to deposit their funds during these unique times.

We constantly review and modify strategies to identify and protect against cyber security issues. We adopted a closely monitored Return on Equity (ROE) Strategy in 2015 which we continue to deploy as it has provided economic benefit. Furthermore, our balance sheet is well positioned to deal with rising rates and inflation, and has sufficient net worth to weather the remaining financial risks facing the US Economy that may flare up in the upcoming months.

At year-end 2022, assets totaled \$178,055,444 shares totaled \$135,463,480 and loans totaled \$32,775,774. Shares and loans increased from last year's ending balance.

- Reserves and undivided earnings, and equity acquired in a merger, increased last year totaling \$22,400,338 at year-end.
- Net operating expenses as a percentage of average assets ended the year at 1.79%, the same as last year.
- Average loan balance ended the year at \$7,992, down from last year.
- Average share balance per member ended the year at \$10,373, down from last year.
- Total members at year-end numbered 13,062.

Best Reward Federal Credit Union is federally insured. Federally insured credit unions offer a safe place for you to save your money, with deposits insured up to at least \$250,000 per individual depositor. The National Credit Union Administration (NCUA) is the independent agency that administers the National Credit Union Share Insurance Fund (NCUSIF). Like the FDIC's Deposit Insurance Fund, the NCUSIF is a federal insurance fund backed by the full faith and credit of the United States government.

Best Reward Federal Credit Union is committed to remaining safe and sound, as that is a critical element in gaining the trust of our members. We appreciate your continued confidence and look forward to serving you and your families in 2023 and beyond.

Louis L. Pastor
Treasurer of the Board

Report of the Financials 2022

Income and Expense Schedule

Income:	12/31/2022
Interest on Loans	\$1,476,230
Income from Investments	\$2,105,791
Other Operating Income	<u>\$793,009</u>
Total Operating Income	\$4,375,030

Expenses:	
Employee Compensation & Benefits	\$1,799,679
Travel and Education	\$3,688
Office Occupancy	\$255,210
Office Operations	\$169,217
Publicity and Promotions	\$66,348
Loan Servicing	\$171,746
Association Dues	\$3,352
Professional and Outside Services	\$1,020,251
Provision for Loan Loss	\$30,500
Examination and Supervision	\$29,670
Interest on Borrowed Money	\$423,768
Miscellaneous Operating	<u>\$17,401</u>
Total Operating Expense	\$3,990,830

Income Before Dividends	\$384,199
Bargain Purchase Gain	\$98,554
Dividends on Shares	<u>-\$187,043</u>
Net Income/Loss	\$295,710

Comparative Financial Statement

Assets:	12/31/2021	12/31/2022
Loans to Members	\$27,673,156	\$32,775,774
Cash & Equivalents	\$1,518,452	\$1,530,027
Investments	\$142,738,692	\$137,128,656
Other Assets	\$4,382,084	\$4,880,631
Fixed Assets	<u>\$1,854,230</u>	<u>\$1,740,356</u>
Total Assets	\$178,166,613	\$178,055,444

Liabilities & Equity:		
Liabilities	\$2,240,511	\$2,616,240
Notes Payable	\$30,000,000	\$30,000,000
Members' Shares	\$126,063,669	\$135,463,480
Unrealized Gain/Loss Investments	-\$809,123	-\$12,424,614
Equity Acquired in a Merger	\$614,386	\$2,047,457
Reserves and Undivided Earnings	<u>\$20,057,170</u>	<u>\$20,352,881</u>
Total Liabilities and Equity	\$178,166,613	\$178,055,444

Unaudited – Internally Prepared

Report of the Supervisory Committee

Good Afternoon. The Supervisory Committee is comprised of volunteers who are charged with ensuring that:

- The financial condition and operations of the credit union are accurately and fairly presented in the credit union's financial statements.
- The credit union's management practices and procedures are sufficient to safeguard members' assets.
- The members' share and loan accounts are verified against the records of the credit union. This was completed as of March 31, 2022 by our public accounting firm.

To assist in meeting the annual Supervisory Committee Audit requirements, the Committee engaged the services of the certified public accounting firm Lillie & Company LLC. An audit of the Financial Statements of Best Reward Federal Credit Union was completed as of June 30, 2022 and the letter to the Board indicated that the financial statements present fairly the financial position of the credit union. A written report of this audit is included in your annual report.

The accounting firm also performed extended audit procedures and other required reviews throughout the year on the financial records of Best Reward Federal Credit Union. As a Federal Credit Union we are subject to examinations by our regulator and insurer, the National Credit Union Administration (NCUA). In addition, there were normal communications with the NCUA to complete the merger approval process for the two mergers completed in 2022. There were no items identified in the last exam that required the Board's immediate attention.

The Committee members regularly review the operations and any new policies set forth by the Board of Directors. Based on our reviews and the reviews conducted on our behalf by our public accounting firm, we also believe the financial statements presented to the membership present fairly the financial condition of Best Reward Federal Credit Union and that the Credit Union continues to operate in a safe and sound manner, working towards the best interest of all members'.

We are pleased to report our findings and remain committed in our effort to assure the safety and soundness of members' ownership in Best Reward Federal Credit Union.

Richard Kistemaker
Chairman, Supervisory Committee

Report of the Independent Auditor

To The Board of Directors of Best Reward Federal Credit Union,

We have performed an audit of the financial statements of Best Reward Federal Credit Union as of June 30, 2022 and 2021 and for the years then ended. Our report on these financial statements reads as follows:

Opinion

We have audited the financial statements of Best Reward Federal Credit Union, which comprise the statements of financial condition as of June 30, 2022 and 2021, and the related statements of operations and comprehensive income (loss), members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Reward Federal Credit Union as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Best Reward Federal Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Best Reward Federal Credit Union's ability to continue as a going concern for 12 months beyond the issuance of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Best Reward Federal Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

The audited financial statements and report of Independent Certified Public Accountants may be viewed at any of the credit union offices.

Lillie & Company LLC
Certified Public Accountants

Report of the Nominating Committee

Good Afternoon.

The terms of office of two Directors; Louis L. Pastor and Thomas W. Zmrazek expire at this 2023 Annual Meeting. Both Directors provided the Nominating Committee with written confirmation of their qualifications to serve and that they desired to be nominated for election.

In consideration of the qualifications and record of service of both candidates; the Committee determined to nominate Louis L. Pastor and Thomas W. Zmrazek. As required by the bylaws the Nominating Committee filed its nomination with the Secretary of the credit union.

The Nominating Committee posted a Call for Nominations notice on the website and in the branch offices on October 28, 2022. The Secretary posted an Election of Directors notice on the website and in the branch offices on December 19, 2022 regarding the action of the Nominating Committee and the petition process.

No nominations other than those of the two incumbents were received, nor were any petitions received. Notice of the Annual Meeting date was posted on the website, in the newsletter, in an email to members, and on the statement message. All notices met the requirement of the credit union bylaws.

The credit union's Election Policy stipulates "that an election will not be conducted by ballot and there will be no nominations from the floor when there is only one nominee for each position to be filled."

Mr. Chairman, since there is only one nominee for each position to be filled, I move that Louis L. Pastor and Thomas W. Zmrazek be elected by acclamation.

Steve Kadusky
Nominating Committee Chair

Report of the President/CEO

Good afternoon. Thank you for taking the time to participate in today's Annual Meeting. As the Chairman indicated, in an effort to increase participation we teamed up with eSPACE Communications and we hope you found it easy to join today's meeting virtually. Welcome to those attending virtually and those attending in-person.

As the President and CEO, it is my responsibility to ensure that Best Reward Federal Credit Union keeps pace with our members' evolving financial and technological needs; while remaining financially safe and sound. Best Reward manages a strong balance sheet and was able to weather the storms of the ongoing pandemic and its impact on our economic environment. The combination of our strong capital position and the Board of Directors' oversight has served the credit union well and should continue to do so in 2023.

Looking back on the last year, I am proud of our dedicated staff who did a great job maintaining normal operations and their efforts to assimilate the systems and members from the merger of Western Region FCU and UTU FCU. Both mergers closed in the last quarter of 2022. These mergers further strengthened the credit union and provided additional services to those over 2,000 new members. I am pleased to report that net worth, shares, loans and membership all had positive growth in 2022!

We know your time is valuable and we understand that you want to keep more of your hard-earned money where it should be – providing for your family, building that emergency fund, and pursuing any other financial goals that you may have in your future. That is why it is our Vision to be your trusted financial institution. It matters to you and it matters to us. We want to be your first consideration for your Auto Loan, Home Loan, Credit Card, and Checking Account. We offer loans to assist you in starting your own business or growing your existing business. Our trusted staff is here to help you through whatever stage of life you find yourself in. Unlike banks, credit unions are not-for-profit financial institutions that are owned by their members.

As a reminder, you may visit a branch or access your accounts via Best Reward Online or our FREE Mobile Banking App. Loan applications may be completed online and signed remotely and securely using email access. e-Statements offer a faster delivery of account statements. ATM and Debit Cards, Direct Deposit, Online Bill Pay, and many other services offer members the freedom to access their accounts, make their monthly payments, and more remotely with ease and convenience.

Whatever opportunities or challenges are presented in 2023, Best Reward is committed to providing you with the highest level of member service. On behalf of the Best Reward Team, we appreciate your continued membership and trust.

John J. Shirilla
President/CEO