

Income and Expense Schedule

Income:	12/31/2018
Interest on Loans	\$1,845,675
Income from Investments	\$2,194,598
Other Operating Income	\$ 667,781
Total Operating Income	\$4,708,054

Expenses:	
Employee Compensation & Benefits	\$ 1,645,241
Travel and Education	\$ 20,759
Office Occupancy	\$ 265,622
Office Operations	\$ 303,516
Publicity and Promotions	\$ 41,851
Loan Servicing	\$ 185,013
Association Dues	\$ 3,169
Professional and Outside Services	\$ 933,648
Provision for Loan Loss	\$ 42,000
Examination and Supervision	\$ 48,236
Miscellaneous Operating	\$ 565,974
Total Operating Expense	\$ 4,055,029

Income Before Dividends	\$ 653,025
Non-Operating Gains/Losses	\$ 3,994
Dividends on Shares	\$ -173,276
Net Income/Loss	\$ 483,743

Comparative Financial Statement

Assets:	12/31/2017	12/31/2018
Loans to Members	\$ 33,114,456	\$ 32,727,388
Cash & Equivalents	\$ 1,660,438	\$ 992,346
Investments	\$108,416,030	\$108,246,138
Other Assets	\$ 1,700,378	\$ 1,786,065
Fixed Assets	\$ 2,126,948	\$ 2,075,857
Total Assets	\$147,018,251	\$145,827,794
Liabilities & Equity:		
Liabilities	\$ 193,190	\$ 167,607
Notes Payable	\$ 30,000,000	\$ 30,000,000
Members' Shares	\$ 99,006,693	\$ 98,104,159
Net Worth	\$ 17,818,368	\$ 17,556,028
Total Liabilities and Equity	\$ 147,018,251	\$145,827,794

Unaudited – Internally Prepared

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

Best Reward 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.

Report of the Independent Auditor

We have performed an audit of the financial statements of Best Reward Credit Union, Inc. as of June 30, 2018 and 2017 and for the years then ended. Our report on this financial statement reads as follows:

Report on the Financial Statements

We have audited the accompanying statements of financial condition of Best Reward Credit Union, Inc. as of June 30, 2018 and 2017 and the related statements of operations and comprehensive income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the credit union's preparation and fair presentation of the financial statements 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Best Reward Credit Union, Inc. as of June 30, 2018 and 2017, 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.

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



2018 Annual Report

Best RewardSM

CREDIT UNION

Where Membership is the Best Reward



Report of the Chairman

Online and mobile banking provides convenient features that are increasingly sophisticated and are providing an additional source to the physical branch. As consumers become more familiar and confident in mobile technology, Best Reward understands that these services need to be provided in order to fulfill those financial needs. With that being said, we also know that the need to provide mobile access varies among our members and that some members prefer to visit a branch or speak to a staff member by phone. We will continue to provide those services, because we value every member no matter what their preference channel may be.

Today, members of Best Reward can transact remotely – safely and securely – from their computer, tablet, or smart phone with our FREE Phone 24 Automated System, FREE Best Reward Online, FREE Mobile Banking App, FREE CardValet Mobile App, and FREE Mobile Deposit. We realize that members still need branch offices, but they may not need to visit them as often. We have seen our members use of mobile access continue to increase over the past year.

In addition, Best Reward's recent Computer System Upgrade completed in December of 2018 provides the credit union with a more robust operational system – enhancing efficiencies and our ability to serve you (our members) with your financial and lending needs.

Future assessments of products and services are based on our understanding of the services that you desire, so please be sure to complete our Member Polls found on the homepage of our website and share your feedback.

I would like to also mention that Best Reward entered into a management agreement with a smaller local credit union in December of 2017 to assist them due to a retirement and an unforeseen staffing issue that had left them with a void. This arrangement has worked out well and as a result the Board of Directors of that credit union has agreed to ask their members and the regulatory agencies to merge with Best Reward.

Our Board has agreed to this merger as well. The financial merger transaction is not material as the balance sheet of Best Reward is almost 25 times the size of this credit union. The size of the credit union makes it difficult for them to provide many of the services that we currently provide and therefore merging with us will be beneficial to their members. If this transaction is approved, the merger will take place sometime later this year.

On behalf of the entire Board of Directors, I'd like to thank you, our members, for your trust and membership.

Norman L. Alford
Chairman of the Board

Report of the President/CEO

At Best Reward, you can access your accounts in person, by phone, and electronically. Why is this important? According to a recent Raddon Report, there are countless examples of digital technology contributing to the demise of businesses that did not evolve their business models fast enough to keep pace with the demands and preferences of the digital consumer:

- Blockbuster survived the technology shift from VHS to DVD, but wasn't able to compete with different delivery models introduced by Netflix, Redbox, and the rise of online video streaming.
- Even though the majority of the population now carries a camera with them 24/7, Kodak has struggled to survive as film and polaroid's have been replaced by Digital and Instagram.
- It remains to be seen if the traditional taxi industry will be able to evolve or withstand the pressure from technology-driven ride-sharing services such as Uber and Lyft.
- Malls have been taking a beating as retailers continue to cull stores...they have been "amazoned."

According to the same Raddon Report; branch transactions have diminished in recent years as ATM technology has improved and new tools such as Mobile Deposit has been introduced; however, 78% of consumers still report visiting their local branch's lobby or drive-up in a typical month. This has resulted in the majority of consumers falling into the "High-Touch and High-Tech" category, using both electronic and traditional delivery channels on a monthly basis.

In December 2018, Best Reward switched to a new computer system. This upgrade was a huge undertaking but it was important as it helps the credit union continue to evolve and be able to serve our diverse group of members. Some of these improvements include:

- Enhanced Statements & E-Statements
- Enhanced Teller Receipts with the Option to Email Receipts
- New Online Loan Application for Better Efficiency
- Electronic Loan-Signing Technology
- Enhanced Online Banking & Mobile App
- Online Account Opening (To Come Later in 2019)
- And More

We have worked hard to minimize service disruptions from this upgrade. Ultimately, we made this change because it will provide additional benefits for you. On behalf of the Best Reward Team, thank you for your membership and trust.

John J. Shirilla
President/CEO

Report of the Treasurer

Your credit union remains in a strong financial condition and is even more prepared to serve the membership with its recent computer system upgrade completed in December 2018.

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 will continue to deploy as long as it provides an economic benefit. Furthermore, our balance sheet is well positioned to deal with interest rate changes.

At year-end 2018, assets totaled \$145,827,794 shares totaled \$98,104,159 and loans totaled \$32,727,388. Assets, shares and loans declined from last year's ending balance.

- Net worth stands at \$17,556,028 which is considered "Well Capitalized".
- Net operating expenses as a percentage of average assets ended the year at 2.36%, up slightly from 2.32% last year.
- Average loan balance ended the year at \$8,534, down from \$8,610 last year.
- Average share balance ended the year at \$7,947, up from \$7,494 last year.
- Total members at year-end numbered 12,342.
- You may recall that there was a 5-year period from 2009 to 2013 when we were assessed a total of \$641,985; along with all other Federally Insured Credit Unions to strengthen the insurance fund. In the third quarter of 2018, we received a Share Insurance Fund Equity Distribution of \$77,439 which added to the year-to-date net income. With that 2018 Share Insurance Fund Equity Distribution, we received 12% of our assessment back.

Best Reward 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 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 2019.

Louis L. Pastor
Treasurer of the Board

Report of the Supervisory Audit Committee

The Supervisory Audit 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, 2018 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 Credit Union was completed as of June 30, 2018 and conferred a positive opinion. 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 Credit Union. We are also subject to examinations by our regulator, the State of Ohio Division of Financial Institutions (ODFI) and our insurer, the National Credit Union Administration (NCUA) on regular basis.

In addition, 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 rely on, we believe the financial statements presented to the membership present fairly the financial condition of Best Reward 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 Credit Union.

Dick Kistemaker
Chairman, Supervisory Audit Committee