

# 2018 ANNUAL REPORT

Millennium Corporate Credit Union

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## vision

The strategic partner of choice for credit unions.

## mission

To provide exceptional products and service to our members.

## values

### ACCOUNTABILITY

We insist on business relationships that promote accuracy & reliability. We vow to be responsive and reactive in respect to your needs.

### LEADERSHIP

We strive to lead the credit union community in the delivery of financial products and services, the advancement of technology, and new business ventures.

### COOPERATION

We pledge to live & breathe the cooperative spirit under which we were chartered.

### ENTHUSIASM

We strive to create a culture that exhibits a willingness and eagerness to serve.

### TRANSPARENCY

We commit to provide members/owners with timely, accurate, reliable information, in a manner they expect and deserve.

### INTEGRITY

We vow to conduct all business in a professional and honest manner, worthy of your trust.

### EXCELLENCE

We pledge to exceed your expectations by providing total member satisfaction to create the distinction between Millennium Corporate and others.

### RESPECT

We vow to operate in an environment respectful of ourselves, our business partners, & above all else, our members/owners.

### INITIATIVE

We strive to envision the answer to questions unasked. To be entrepreneurial in spirit in our efforts to create products and services to meet the needs of members.

### COMMITMENT

We are committed to the credit union system, and determined to provide innovative solutions and exceptional member service.

# board of directors

TOM KJAR Creighton Federal Credit Union , Omaha, NE  
CHAIR

GREG WINKLER Azura Credit Union, Topeka, KS  
VICE CHAIR

MARK KOLARIK KS Teachers Community CU, Pittsburg, KS  
SECRETARY/TREASURER

LINDA ALLEN Arsenal Credit Union, Arnold, MO

MICHAEL AUGUSTINE Frontier Community Credit Union, Leavenworth, KS

GLENNA JARVIS Missouri Central Credit Union, Lee's Summit, MO

LARAE KRAEMER K-State Federal Credit Union, Manhattan, KS

KEVIN MAYER Richland Federal Credit Union, Sidney, MT

JOHN SERVOS Neighbors Credit Union, St. Louis, MO

TED UNDERWOOD Golden Plains Credit Union, Garden City, KS

PHIL WEBER Central Communications Credit Union, Independence, MO

# credit committee

PAUL MEISSNER Chair, Credit Union of America, Wichita, KS

JERRY BARNETT LincOne Federal Credit Union, Lincoln, NE

KEVIN BRUESEKE Conservation Employees' Credit Union, Jefferson City, MO

GERRY VEIS Bear Paw Credit Union, Havre, MT

# asset/liability committee

KENT GLEASON Millennium Corporate Credit Union  
CHAIR

LARRY EISENHAUER Millennium Corporate Credit Union

KITTY GRAY Millennium Corporate Credit Union

RON KAMPWERTH Anheuser-Busch Employees' Credit Union, St. Louis, MO

MARK KOLARIK KS Teachers Community CU, Pittsburg, KS

KEVIN MAYER Richland Federal Credit Union, Sidney, MT

BRADY MCLEOD Millennium Corporate Credit Union

WALTER THOMPSON Millennium Corporate Credit Union

# supervisory committee

STEVE GROOMS 1st Liberty Federal Credit Union, Great Falls, MT  
CHAIR

CHUCK BULLOCK Quantum Credit Union, Wichita, KS

TERI KRAKOWKA Southwest Montana Community FCU, Anaconda, MT

DEE SCHRINER Trius Federal Credit Union, Kearney, NE

KEVIN STUBBLEFIELD Metro Credit Union, Springfield, MO

## management

LARRY EISENHAUER  
President & CEO

KENT GLEASON  
EVP & COO

KITTY GRAY  
CFO

## aim

BRADY MCLEOD  
Manager & Senior Financial Analyst

WALTER THOMPSON  
Manager & Senior Financial Analyst

JULIE CHAPIN  
Senior Financial Analyst

CHRIS HAGEMAN  
Financial Analyst

RACHEL PALMER  
Financial Analyst

LEA PAPAMICHAEL  
Financial Analyst

## administration

LORI DOMIAN  
Compliance Officer

BETH NEIGHBORS  
Controller

HEATHER SEILER  
Executive Assistant

## info & tech

KIP POE  
VP- Information & Technology

CRISTIAN CASTANEDA  
IT Support Specialist

## internal audit

JACQUE CULLY  
Internal Auditor

## marketing

CIRCE GLEESON  
Marketing Manager

LILIA ROCHEL  
Marketing/Business Development Associate

## operations

LYN HOLLENBECK  
VP- Operations

WENDY JOY  
Operations Supervisor

SANDY BLADDICK  
Account Specialist

MARILYN LEE  
Account Specialist

LORETTA NETTLETON  
Account Specialist

# chairman & president

It's been 67 years since Millennium Corporate was created by credit union leaders to harness the collective strength of members for the mutual benefit of credit unions. Our mission is to provide exceptional products and service to our members.

2018 was a remarkable year for Millennium Corporate. We experienced strong financial growth and enjoyed success in a number of strategic initiatives. Thanks to the ongoing and unwavering support of our members, Millennium achieved its highest earnings in history (for the second year in a row), ending the year with net income of \$3.6 million. We also ended 2018 with a Retained Earnings Ratio of 2.79% (2.91% as of Mar. 2019) and a total Tier 1 Capital Ratio of 11.49% (the highest of all corporate credit unions). We paid our members an 84% increase in dividends, compared to 2017, an overall increase in payouts of \$3.5 million- \$6.5 million was paid in dividends to members and \$1.2 million to PCC holders – for a combined total of \$7.7 million for the year.

Further underscoring the sound financial footing of your corporate, we increased the amount of outstanding off-balance sheet investments facilitated by Millennium through ISI and SimpliCD to \$869.8 million. Combined with the on-balance sheet assets of \$603.0 million, Millennium manages close to \$1.4-\$1.5 billion in assets. We recognize that you place an enormous amount of trust in us and that trust translates into an obligation on our part to maintain a strong balance sheet, consistently deliver strong financial results, and ensure that your funds are managed prudently and safely.

In an effort to enhance our offerings, new partnerships were forged and considered that will contribute to the long-term success of Millennium Corporate and its member credit unions. We started the year in overdrive to successfully transition to our new safekeeping vendor – JP Morgan/Catalyst. As a result, we transferred \$1 billion in securities by end of first quarter while introducing a single sign-on enhanced system, webinar training, and a user guide for those impacted. Millennium also explored partnership opportunities with CULedger, a pioneer of new developments related to blockchain technology. As a result, and after careful review, the Millennium Board of Directors approved a CUSO investment with some of our members to fund a portion of one share of CULedger.

During 2018, we continued to focus on the Enterprise Risk Management program. The ERM process includes identifying possible risks, assessing the likelihood of the occurrence of those risks, and coming up with a dollar amount associated with each risk. Millennium is confident in our ability to manage our overall risk position.

Another highlight for 2018 is Millennium's continued focus on member service. We are driven to become so positively ingrained in your business and operations that we are

# chairman & president

seen as an extension of your own staff. Behind the scenes, on a daily basis, Millennium is:

- monitoring, funding and reconciling a Federal Reserve Bank account where all member transactions are settled to save members time and money; the daily settlement for ACH, wires, checks & deposits and currency orders averaged \$158 million in 2018;
- reviewing and monitoring member creditworthiness to ensure low-cost availability of lines of credit to fund your liquidity needs and to provide intra-day funding; at year-end 2018 we had 252 members with lines-of-credits amounting to \$736.8 million and had 23 members take advantage of issuing SimpliCDs for an additional \$165.9 million of liquidity;
- building back-up processing for all critical business components in case of emergencies and disasters;
- developing internal processes to help ensure that all transactions are settled timely, securely and accurately each and every day;
- and putting in place strategic plans that build an overall stronger and better organization.

We are committed to running Millennium as we always have, cooperatively and conservatively. We will continue our efforts to build retained earnings to strengthen the investment you made in us and we pledge to keep our members foremost in our minds while we work to this end.

In 2018, Millennium Corporate volunteers continued to provide leadership for carrying out our mission. In the midst, we lost long tenured board members due to retirement. Though difficult to let go of the expertise and friendships given to our organization by past volunteers, we are pleased to welcome new additions to our group of experts. The Board of Directors, the Supervisory Committee, and the Credit Committee have new blood, new faces, and new perspectives. We can assure our members, that your Board and Management has the necessary and positive can-do attitude, that we're focused on meeting the current and future needs of our membership, and that Millennium will always be a member-directed and member-driven organization. We look forward to serving you with the same unwavering dedication that you've showed us.

Respectfully Submitted,

TOM KJAR  
Board Chairman

LARRY EISENHAUER  
President & CEO



Financially, 2018 was another year of strong results and continued growth for Millennium Corporate. Above budget performance for Retained Earnings growth and Net Income stand out but many positive factors contributed to the exemplary financial performance experienced in 2018.

Assets continued to trend slightly downward for the third year in a row as member loan growth exceeded share growth once again. Average assets ended 2018 at \$590,887,577, \$26.7 million or 4.3% lower than 2017 average at \$617.6 million. Total assets ended 2018 at \$602,960,870, down from \$607,859,113 at 12.31.2017. Return on Assets (ROA) for the year was 60.9 basis points (bps).

Despite the lower asset growth, 2018 was the most profitable year, ever, in respect to income, earning \$3,599,491, an increase of approximately 15% over the record-breaking income level achieved in 2017, \$3,120,603, which included a CNP CUSO liquidating dividend of \$172,024.

Retained Earnings (RE) grew to \$15,502,507 from \$12,903,440, representing a Retained Earnings Ratio of 2.79%, significantly ahead of our long-term goals. Surpassing a RE ratio of 2.50% allowed us to include all Perpetual Contributed Capital (PCC) in the Tier 1 Capital Ratio. The year-end 2018 Tier 1 Capital Ratio was 11.49% (per approved revisions to Reg 704). These newly approved revisions, effective December 22, 2017, properly recognize "retained earnings acquired in a merger" as part of Retained Earnings. From December 2015 to December 2018, the RE ratio increased from 1.29% to 2.79% and the Tier 1 Capital Ratio improved from 3.92% to 11.49%.

Although our budget expectations regarding the timing and number of rate increases for 2018 was not exact, budgeting for 3 increases in March, June, and December, whereas 4 transpired in March, June, September and December, the impact put us 14.9% over our Net Interest Income budget. Fee income was 1.9% above budget for the year and overall operating expenses were spot on.

Millennium Corporate continues to make great financial strides toward attaining regulatory compliance and board and management directives. We recognize that would not be possible without your continued support and usage of Millennium Corporate's products and services.

Respectfully Submitted,

MARK KOLARIK  
Secretary/Treasurer

# asset/liability committee

The Asset/Liability Committee (ALCO), comprised of Millennium Corporate management, staff, and volunteers, is charged with monitoring Millennium Corporate's interest rate risk position, as well as our liquidity position. The Committee oversees the investment portfolio, buying and selling investments, as necessary, and within policy and regulatory allowance, to best position Millennium Corporate to meet financial goals determined by the Board of Directors.

When necessary, the Committee also recommends revisions to asset/liability management and investment policies to the Board. Monthly meetings are comprised of the oversight of these matters and include monitoring economic trends, investment product development & usage, and regulatory updates.

The Federal Open Market Committee (FOMC) approved four rate increases in 2018, the first in March, followed by June, September and December. Millennium Corporate followed suit, increasing rates throughout the year on overnight share accounts, investments, loans and Perpetual Contributed Capital (PCC) investments.

Monitoring Net Economic Value or NEV also falls to the ALCO. NEV is the risk to our balance sheet in various interest rate scenarios, and with rates moving with greater frequency, this task carries an increasing amount of weight. Our balance sheet gets "shocked" in an up-300 and down-300 basis point environment to see what impact rate fluctuations of this magnitude will have on our risk profile. The NEV percentage change in the up-300 basis point scenario, as of year-end 2018, was -1.305%, well within regulatory allowance and well positioned to capitalize on the current rising rate environment.

Millennium Corporate continues to use off-balance sheet products to support credit union investment needs. CU Investment Solutions, LLC, or CU-ISI, our broker/dealer CUSO provides credit unions access to marketable securities, sold and supported by the Millennium Corporate AIM (Asset & Investment Management) staff who know and support credit unions and have since 1992, when the program was first developed. These AIM Financial Analysts work with 60 ALM Reporting clients, 70 CU-ISI clients, and 254 SimpliCD client credit unions in 5 states, providing ALM consulting and assisting credit unions with investment sales.

SimpliCD, another of our off-balance sheet investment services, usage remains strong through investing and issuing. Credit unions are augmenting their liquidity by issuing certificates through SimpliCD and currently stand with an additional \$165.9 million on the books at the end of 2018 thanks to this program. The issuing process is simplified by relying on SimpliCD and Millennium Corporate, with streamlined agreements and

# asset/liability committee

assistance crafting the offering and distributing it out to potential buyers. SimpliCD investment balances ended the year higher than ever at \$519,381,731.

Total Assets in 2018, including on- & off- balance sheet, were \$1,364,783,237. On, equaling \$602,960,873. Off, making up the difference and exceeding On-, at \$761,822,367.

We experienced record-breaking Net Income in 2018 of \$3,599,491, our progress toward reaching regulatory capital requirements is well ahead of schedule. We successfully funded growing member loan balances through the advised line-of-credit (LOC) program and provided avenues for credit unions with excess investable funds. All things considered, 2018 was another successful year for Millennium Corporate and our members. Our partnership continues to support growth and success for both entities.

Thank you for your positive impact that made the success of 2018 possible and thank you for giving us a shot at your business. We appreciate your continued support of Millennium Corporate Credit Union. When we work together, everyone benefits.

Respectfully Submitted,

KENT GLEASON

Committee Chair

# credit committee

The Credit Committee is tasked with developing and administering a lending program which adheres to all policy guidelines and regulatory requirements while also safeguarding Millennium Corporate & member resources. Committee members, are appointed for one-year terms by the Board of Directors, and rely on their lending expertise, each other, Millennium Corporate staff, loan officers, and credit union members' feedback and guidance to develop, offer, and maintain cost-effective liquidity solutions which members can rely on to fund their needs.

The Credit Committee met five times in 2018. Meetings are comprised of monitoring liquidity trends, reviewing all lines-of-credit, performing semi-annual reviews of all outstanding LOCs, ensuring adequate program funding, and suggesting lending policy revisions that keep Millennium Corporate offerings relevant and competitive. At year-end 2018, Millennium Corporate had 252 outstanding lines-of-credit to members totaling \$736,768,196, an increase of approximately \$69 million. Credit unions use their LOC for overnight liquidity, project funding, and more. However, when loan-to-share balances remain high and credit unions need additional liquidity, many turn to SimpliCD Issuance.

SimpliCD Issuance has proven itself a cost-effective method of bringing in additional liquidity from outside sources. SimpliCD and Millennium Corporate staff help credit unions craft an offering, and distributes the details to the largest network of credit unions and banks in the industry. Issuance usage has continually increased since the program's inception, with balances reaching \$165.9 million by year-end 2018.

The Committee and Millennium Corporate are dedicated to ensuring our members can rely on us for affordable, reliable liquidity solutions. Thank you for choosing us as your liquidity partner. We value the opportunity to serve your needs and appreciate the guidance provided to us by credit unions members.

Respectfully Submitted,

PAUL MEISSNER  
Committee Chair

# supervisory committee

The purpose of the Supervisory Committee is to assist the Board of Directors and Management of Millennium Corporate Credit Union in safeguarding members' assets, ensuring the reliability and integrity of financial and operational information, maintaining the effectiveness and efficiency of credit union operations, and complying with applicable laws and management activities to ensure the long-term viability and success of Millennium Corporate Credit Union.

The Committee is charged with creating an audit plan that encompasses all necessary areas, oversight of all audit reports and findings, as well as recommending policy and procedural updates to improve financial & operational integrity, in addition to controlling and mitigating financial & operational risks. The Committee also reviews all key risk assessments, ensures the corporate abides by their own governance and operational policies/procedures, and monitors the Enterprise Risk Management Plan to protect the assets of Millennium Corporate. A hefty load for Committee members, who are appointed by the Board for 1-year appointments, lessened only by their extensive knowledge and strong, supportive relationships with each other, the Millennium Corporate internal & external auditors, and regulatory examiners.

The Kansas Department of Credit Unions and the National Credit Union Administration performed their joint annual examination in June of 2018. Once finalized, results of the exam were shared with Committee and Board members. In November of 2016, the Committee engaged J. Tenbrink & Associates, Inc. (JTA), to perform our annual financial statement audit through 2021. The 2018 financial statement audit was performed in early 2019. Additionally, JTA performed the 2018 ACH and Bank Secrecy Act (BSA) Audits.

The Millennium Corporate Internal Auditor completed the following operational audits last year – International Services, Wire Transfer Policy and Procedures, CorporateCheck; Authority Level Review; and ACH Transaction Cap Review.

Other Internal audits completed in 2018 included – Liquidity; Member Billing; Business Impact Analysis; Continuity Management Testing and Training; Website Compliance; Employee VISA and Expense Reports; and Vault Cash Counts – Armored Carrier Vault Locations (KS, NE, MO).

Risk assessments performed and reviewed by the Committee last year include assessments on vendors deemed critical – Symitar (Jack Henry), Western Union Business Services, and Juniper Payments, as well as BSA and ACH.

Planning and testing help Millennium Corporate prepare for situations that compromise

# supervisory committee

our promise to members to be accessible to them, regardless of circumstances beyond our control. Contingency and business continuity testing is a priority for Millennium Corporate and the Supervisory Committee. Contingency testing was performed in 2018 on all services and functionality including our ACH services. Not only must our systems, staff, and services be accessible, the security behind all must not falter. The Security Board Program Report was provided to and reviewed by the Committee in December 2018.

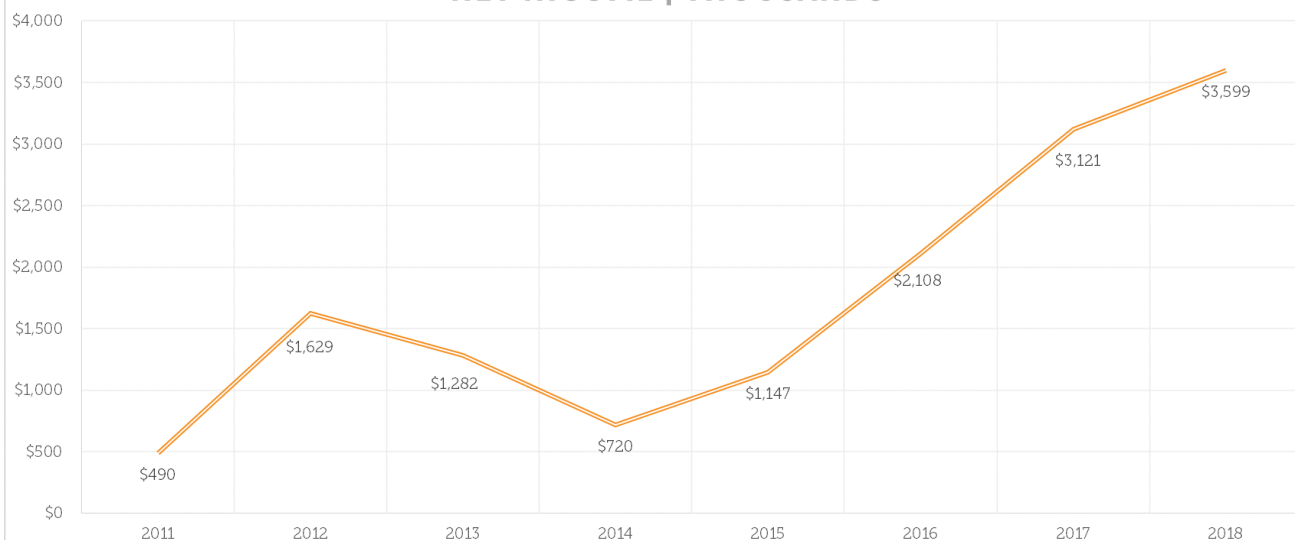
It's through these thorough and extensive measures that we work to ensure the long-term viability of Millennium Corporate Credit Union, your strategic partner. Upon review of all reports of the independent auditors, accountants, and regulators, the Committee believes the audits and examinations provide a reasonable basis to conclude the financial statements of Millennium Corporate, for the period ended December 31, 2018, are fairly presented and Millennium Corporate is in compliance with all credit union regulations.

Respectfully Submitted,

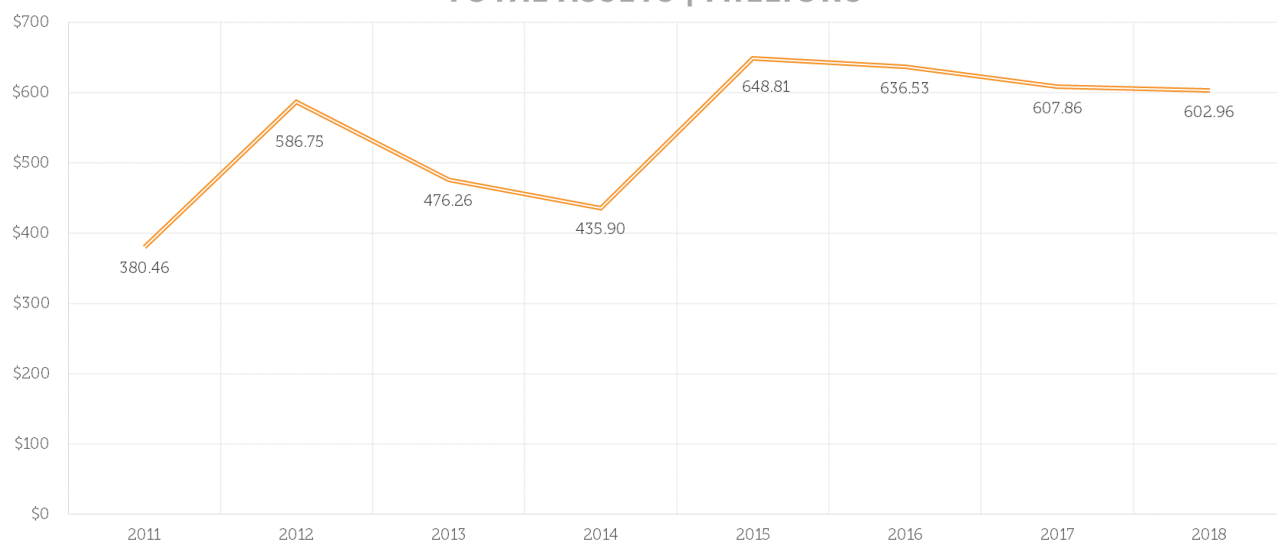
STEVE GROOMS

Committee Chair

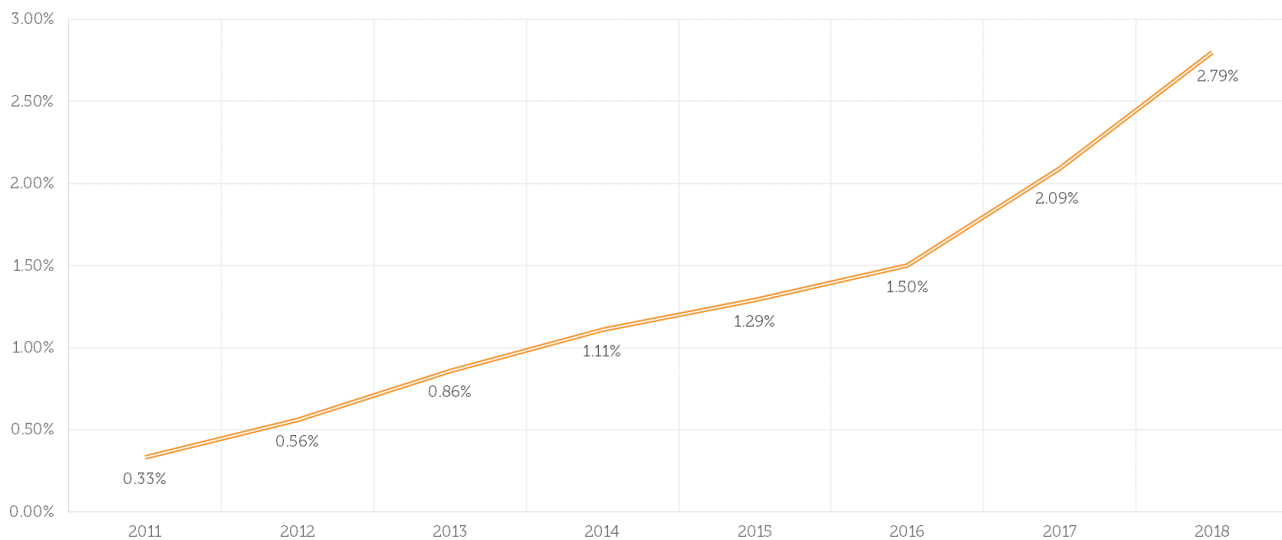
## NET INCOME | THOUSANDS



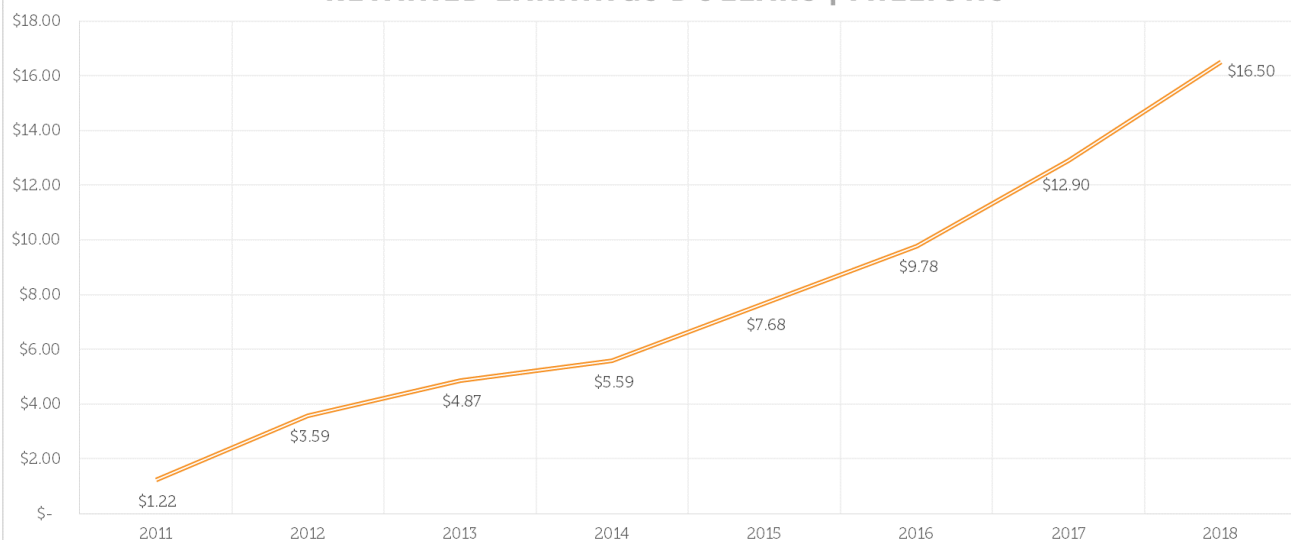
## TOTAL ASSETS | MILLIONS



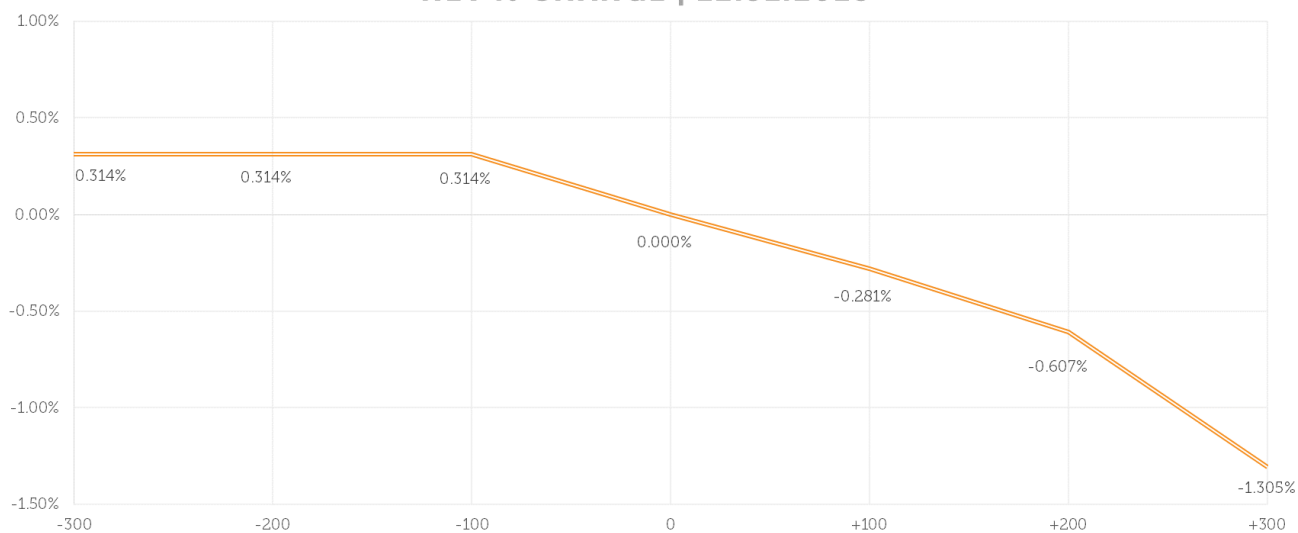
## RETAINED EARNINGS RATIO



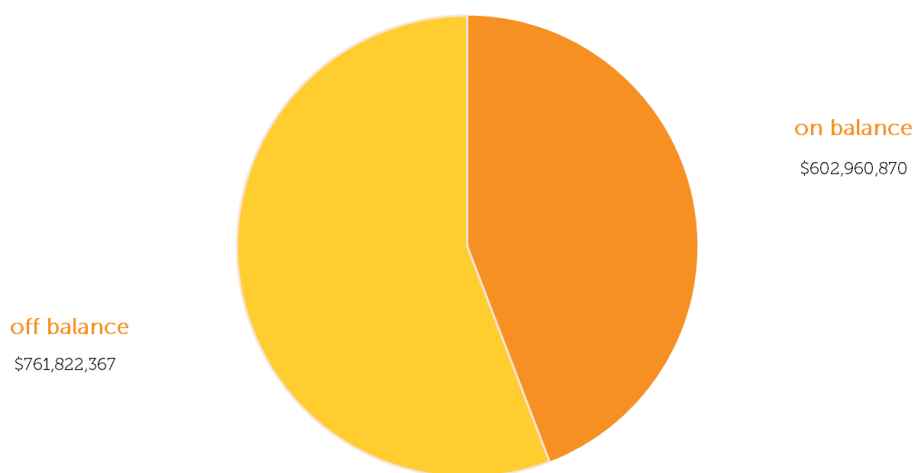
## RETAINED EARNINGS DOLLARS | MILLIONS



## NEV % CHANGE | 12.31.2018

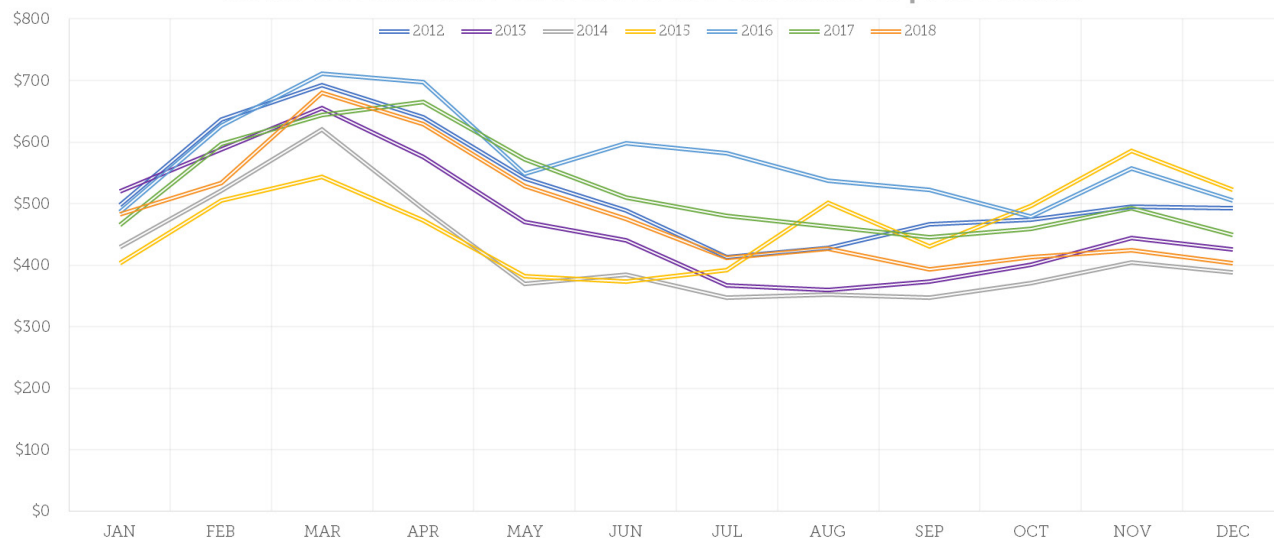


## BALANCE SHEET ASSETS

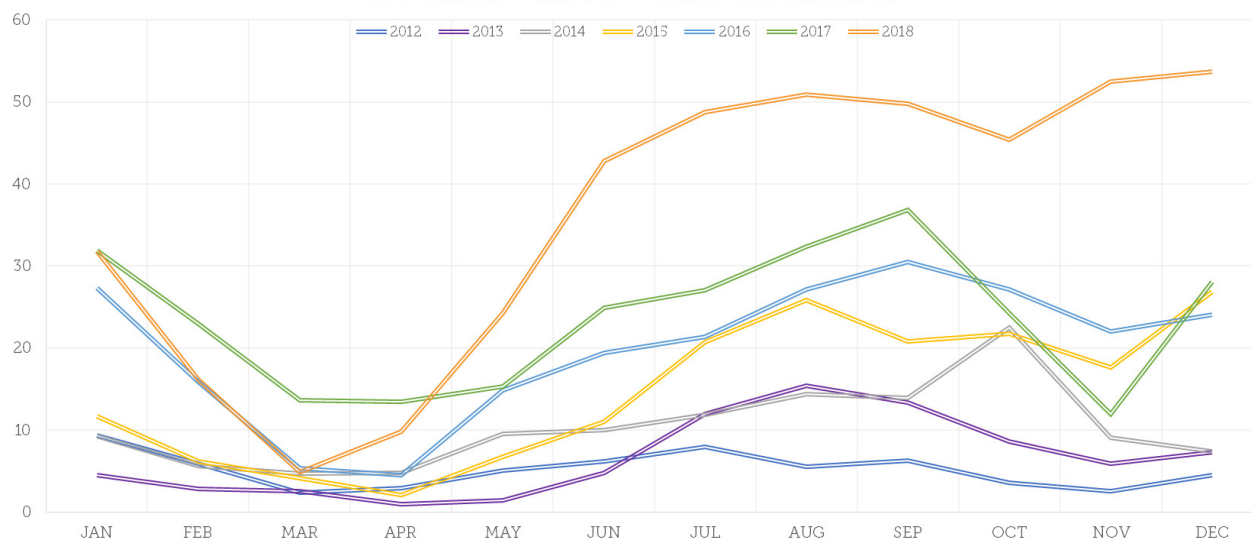




## AVG. OVERNIGHT INVESTMENT BALANCES | MILLIONS



## AVERAGE DAILY LOAN BALANCES



# management statements

## MANAGEMENT'S RESPONSIBILITIES


The management of Millennium Corporate Credit Union (Millennium Corporate) is responsible for preparing Millennium Corporate's annual financial statements in accordance with generally accepted accounting principles, except for the classification of members' accounts as discussed below; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial reports in accordance with the instructions for the NCUA 5310 - Corporate Credit Union Call Report; and for complying with Federal and, as applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Members' accounts are classified as equity to denote the ownership interest of Millennium Corporate's members. This classification conforms to the statutory definition in the Kansas Credit Union Act and is consistent with past longstanding practice. Accounting principles generally accepted in the United States of America require that members' accounts be classified as liabilities, similar to deposits at other financial institutions.

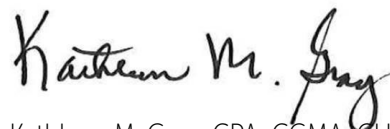
## MILLENNIUM CORPORATE CREDIT UNION



Larry D. Eisenhauer  
President & CEO



Kent R. Gleason  
Executive Vice President & COO



Kathleen M. Gray, CPA, CGMA, CUDE  
Chief Financial Officer

February 15, 2019

# management statements

## ASSESSMENT OF COMPLIANCE REPORT

The management of Millennium Corporate Credit Union (Millennium Corporate) has assessed Millennium Corporate's compliance with the Federal and State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the year that ended on December 31, 2018. Based upon its assessment, management has concluded that Millennium Corporate complied with the Federal and State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the year that ended December 31, 2018.

### MILLENNIUM CORPORATE CREDIT UNION



Larry D. Eisenhauer  
President & CEO



Kent R. Gleason  
Executive Vice President & COO



Kathleen M. Gray, CPA, CGMA, CUDE  
Chief Financial Officer

February 15, 2019

# management statements

## ASSESSMENT OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

Millennium Corporate Credit Union's (Millennium Corporate) internal controls over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., NCUA 5310 - Corporate Credit Union Call Reports. Millennium Corporate's internal controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Millennium Corporate; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory purposes, and that receipts and expenditures of Millennium Corporate are being made only in accordance with authorizations of management and directors of Millennium Corporate; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Millennium Corporate's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal controls over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management is responsible for establishing and maintaining effective internal controls over financial reporting including controls over the preparation of regulatory financial statements. Management assessed the effectiveness of Millennium Corporate's internal controls over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 - Corporate Credit Union Call Report, as of December 31, 2018, based on the framework set forth by the Committee of Sponsoring Organizations of the Tread way Commission in Internal Controls - Integrated Framework. Based upon its assessment, management has concluded that, as of December 31, 2018, Millennium Corporate's internal controls over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 - Corporate Credit Union Call Report, is effective based on the criteria established in Internal Control - Integrated Framework.

## MILLENNIUM CORPORATE CREDIT UNION



Larry D. Eisenhauer  
President & CEO



Kent R. Gleason  
Executive Vice President & COO



Kathleen M. Gray, CPA, CGMA, CUDE  
Chief Financial Officer



**Millennium**  
CORPORATE CREDIT UNION

[www.millenniumcorporate.org](http://www.millenniumcorporate.org)

8615 W Frazier Lane, Wichita, KS 67212  
2055 Craigshire Drive, St Louis, MO 63146  
101 N Rodney, Helena, MT 59601