

Members First Credit Union Annual Report 2016

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DIRECTORS

Roman Almaguer, Chairman (2018)
Samuel Shores, Vice-Chairman (2019)
Hector Garcia, Secretary/Treasurer (2018)
Larry Dreyer (2019)
Mark Kulwicki (2018)
Yolanda Lozano (2017)
Manuel Esquivel III (2017)

MANAGEMENT

Greg Fair, Chief Executive Officer
Wanda Muessel, Chief Operations Officer
Belinda Reeves, Member Service Manager
Sherry Hernandez, Financial Service Manager
Eric Flores, Consumer Loan Manager
Debra Garza, Mortgage Loan Manager
Brenda Collins, Harlingen Branch Manager
Paul Besse, Accounting Manager
Blake Kemmis, IT Manager
Chris Vega, Collections Manager
Rachael Storr, Marketing Director
Adriana Crisp, Human Resources Manager

AGENDA

Welcome – Roman Almaguer, Chairman

Invocation

Determination of a Quorum

Introduction of Officers and Guests

Minutes of the Previous Meeting

Reports:

Treasurer – Hector Garcia

Chairman – Roman Almaguer

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors

Adjournment

MINUTES
77th ANNUAL MEMBERSHIP MEETING
March 3, 2016

The 77th Annual Membership Meeting of Members First Credit Union was held on Thursday, March 3, 2016 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

Chairman of the Board Hector Garcia welcomed members and brought the meeting to order at 6:00 p.m.

The invocation was given by Blake Kemmis.

The Chairman verified that 52 members had registered. He certified that a quorum was present and declared it a legal meeting.

The Chairman introduced the Board of Directors: Hector Garcia (Chairman), Yolanda Lozano (Vice Chairman), Roman Almaguer (Secretary/Treasurer), Larry Dreyer, Mark Kulwicki, Manuel Esquivel III, and Samuel Shores.

The Chairman stated the board met for 12 regular monthly meetings in 2015 and 3 special meetings.

Secretary/Treasurer Roman Almaguer noted a copy of the minutes of the 76th Annual Meeting was provided in the 2015 report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Leon Faught, second by Annette Hansen to accept the minutes as written. MOTION CARRIED.

REPORT OF TREASURER

Roman Almaguer reported the credit union had a financially successful year in 2015. The credit union wanted to maintain strong capital and improved the capital to asset ratio to 18.92%. Total assets increased over 4% to end the year at \$118,030,499. \$23.4M in loans were advanced during the year increasing the loan portfolio by 7.8%. Loan losses increased to \$250k from \$186k the prior year but loan delinquency improved from 0.77% to 0.48%. Net income for the year was \$1,525,447 and was accomplished through growing loans, increasing account services, and keeping net operating expenses low.

Membership increased to 11,725 members. Account growth was exceptional with share draft accounts up 6%, money market 4.6%, check cards 10.5%, and credit cards 19.5%. Mr. Almaguer ended stating we were pleased with such a positive year and thanked the members for entrusting us with their financial needs.

MOTION by Robert Wenger, second by Eve Escobedo to approve the Treasurer's Report as written. MOTION CARRIED.

REPORT OF CHAIRMAN OF THE BOARD

Hector Garcia stated the credit union is a unique organization. We came from a small beginning of a handful of employees wanting a financial alternative to the banking industry. After 75 years, we are still providing this alternative even though there have been many changes in our operations. We offer a full array of financial products and services, great rates, and low fees that are possible due to our structure. We are owned and operated by our members and our profits stay in the credit union, allowing us to continue to grow stronger and better positioned in the future.

As unpaid volunteers, the board is happy to play their part in a not-for-profit cooperative and realize the importance of helping members every day. He promised they would continue to find ways to improve our ability to serve our members. He commended the staff for their efforts this past year in making Members First a worthy alternative in our community as well as members for their support.

REPORT OF THE CEO

Greg Fair reflected that there have been many successful and not so successful ideas in the business world. The idea of credit unions as a not-for-profit organization of people helping people has proven to be very successful. However, it is becoming more difficult for smaller credit unions to survive than ever before. Today, only 53% of Texas credit unions are still here from just 25 years ago. During that time, average membership growth has dropped from 5% annually to just 0.4% with 90% of such growth from only 1% of credit unions.

Among a number of issues, smaller credit unions struggle with fewer resources, constant regulation changes, and increasing overlapping

fields of membership. Members First has similar challenges with the goal of providing superior personal service, competitive rates, increasing services, improving its financial position, and offering the latest in technology. Mr. Fair stated that if we stayed true to our purpose of people helping people, kept profitability high, and properly grew capital we would continue to be successful and competitive with much larger institutions.

UNFINISHED BUSINESS

None

NEW BUSINESS

None

NOMINATING COMMITTEE

The Chairman appointed Yolanda Lozano, Manuel Esquivel III, and Roman Almaguer to the nominating committee in September of 2015. The committee was charged with nominating one or more candidates for the two 2 year terms expiring in 2016 (according to Credit Union guidelines, each member must be willing to serve, have an appropriate credit history, donate time and effort for the Credit Union's future, and be a member in good standing).

The Nominating committee reported they received two applicants for two open positions on the Board. The nominees were:

Larry Dreyer
Samuel Shores

MOTION by Annette Hansen, second by Leon Faught to elect the nominees by acclamation. MOTION CARRIED.

CONCLUSION AND ADJOURNMENT

Chairman Hector Garcia concluded the business of the meeting.

MOTION by Rachael Storr, second by Belinda Reeves to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 6:17 p.m.

TREASURER'S REPORT

In 2016, Members First Credit Union focused on increasing its loan portfolio, adding active members, and maintaining its financial strength. Our biggest need and goal for the year was to increase our loan portfolio. To aid in loan growth, loan rates were made as competitive as possible and loan incentives were offered in moving auto loans to the credit union. Although this greatly aided members who moved their loans to us, a tougher economy proved difficult to overcome. Loans advanced for the year dropped 15% totaling \$19,964,485. This resulted in total loans outstanding decreasing 1.2% to end the year at \$56,716,879. A struggling economy was also evident in loan charge-offs of \$348,629, a 50% increase over the previous year.

Membership dropped slightly during the year to 11,587 members. However, active members increased with share draft accounts increasing 2.6% to 7,926 accounts. Member deposits increased 6.8% during the year to \$101,815,636. VISA check cards increased 4.4% and the number of credit cards increased 14.8%. Members using CU online increased 14.2% and mobile app users increased by 18.4%.

Net income for the year was \$1,104,922. Although not as high as the previous year, this represents a capital contribution of 0.93% which is nearly double that of our peers of 0.50%. Such a high level of net income helped improve our financial position by increasing our capital to asset ratio to 18.67%. Again, this is much higher than other credit unions our size which average 11.17%. The capital to asset ratio is the main financial indicator of the strength of a financial institution, showing how well it is positioned to handle potential headwinds in income, increased expenses, unexpected losses, or a weakening economy. This ratio shows that Members First is in an extremely strong financial position.

These results reflect our commitment to operating as a safe and secure institution as well as growing the level of products and services we provide to our members. I would like to thank the board for contributing their time and efforts this past year. I also commend the staff for another successful year and their endeavor to continue to improve into the future.

Respectfully submitted,



Hector Garcia
Secretary/Treasurer

MEMBERS FIRST CREDIT UNION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
INTEREST INCOME		
Interest on loans to members	\$ 3,275,512	\$ 3,243,279
Interest on investments and cash equivalents	775,766	740,385
TOTAL INTEREST INCOME	4,051,278	3,983,664
INTEREST EXPENSE		
Dividends on members' shares	500,116	464,200
NET INTEREST INCOME	3,551,162	3,519,464
PROVISION FOR LOAN LOSSES	473,396	301,593
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,077,766	3,217,871
NON-INTEREST INCOME		
Fees and Charges	1,349,129	1,393,214
Other non-interest income	987,106	990,689
TOTAL NON-INTEREST INCOME	2,336,235	2,383,903
INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES	5,414,001	5,601,774
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and benefits	2,188,067	2,023,678
Operations	1,668,663	1,585,462
Occupancy	448,330	460,903
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	4,305,060	4,070,043
NET NON-OPERATING GAINS (LOSSES)	(4,019)	(6,284)
NET INCOME	\$ 1,104,922	\$ 1,525,447

MEMBERS FIRST CREDIT UNION
 STATEMENTS OF MEMBERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, December 31, 2014	\$ 1,514,142	\$ 19,295,233	\$ 20,809,375	\$ (949,871)
Net income		1,525,447	1,525,447	
Net change in defined benefit Obligations				7,979
Balance, December 31, 2015	\$ 1,514,142	\$ 20,820,680	\$ 22,334,822	\$ (941,892)
Net income		1,104,922	1,104,922	
Net change in defined benefit obligations				(42,320)
Balance, December 31, 2016	<u>\$ 1,514,142</u>	<u>\$ 21,925,602</u>	<u>\$ 23,439,744</u>	<u>\$ (984,212)</u>

ELECTION RULES

(as printed in the October 2016 newsletter)

Members interested in running for a position on the Board of Directors must submit a resume for background information and a completed “Director Application and Agreement to Serve” form. A credit history of the applicant and current standing with the credit union will also be reviewed as part of the approval process. All interested parties that receive approval by the Nominating Committee based on these criteria will be included as candidates for upcoming vacancies on the Board of Directors.

Any applicant that the Nominating Committee does not approve will be referred for review by the Board of Directors. These members may be selected if approved by the Board. Any applicant not selected will receive a written explanation describing the reason for disapproval. This information will also be communicated to the Credit Union Department. Interested parties must submit their application no later than December 15, 2016. No nominations will be accepted after this deadline and no nominations may be placed from the floor at the Annual Meeting.

These rules were changed so that all candidates or potential Directors would be in good standing with the Credit Union, would be insurable for bonding purposes, and would receive approval from the Credit Union Department.