

# Members First Credit Union Annual Report 2017

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## **DIRECTORS**

Manuel Esquivel III, Chairman (2020)  
Yolanda Lozano, Vice-Chairman (2020)  
Samuel Shores, Secretary/Treasurer (2019)  
Larry Dreyer (2019)  
Mark Kulwicki (2018)  
Hector Garcia (2018)  
Roman Almaguer (2018)

## **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 – Manuel Esquivel III, Chairman

Determination of a Quorum

Introduction of Officers and Guests

Minutes of the Previous Meeting

Reports:

Treasurer – Samuel Shores

Chairman – Manuel Esquivel III

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors

Adjournment

**MINUTES**  
**78<sup>th</sup> ANNUAL MEMBERSHIP MEETING**  
**March 2, 2017**

The 78<sup>th</sup> Annual Membership Meeting of Members First Credit Union was held on Thursday, March 2, 2017 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

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

The invocation was given by Blake Kemmis.

The Chairman verified that 44 members had registered. He certified that a quorum was present and declared it a legal meeting.

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

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

Secretary/Treasurer Hector Garcia noted a copy of the minutes of the 77<sup>th</sup> Annual Meeting was provided in the 2016 Annual Report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Judy Dreyer, second by Manuel De Los Santos to accept the minutes as written. MOTION CARRIED.

## **REPORT OF TREASURER**

Hector Garcia stated that in 2016 the credit union focused on increasing its loan portfolio, adding active members, and maintaining its financial strength. Loan rates were made as competitive as possible along with incentives to move loans to the credit union. However, a tougher economy was difficult to overcome as noted by loans advanced dropping 15% and loan charge-offs increasing 50% from the previous year.

Adding active members was successful, however, as evidenced by gains in share draft accounts, member deposits, check cards, credit cards, CU online users, and mobile app users. Net income for the year was \$1,104,922, representing a capital contribution of 0.93% which is nearly double our peers. This resulted in our capital to asset ratio increasing to 18.67%. These results show the credit union is well positioned to handle potential challenges that could arise in the future and that Members First is in an extremely strong financial position. They also reflect our commitment to safety as well as growing the level of products and services we provide to our members.

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

## **REPORT OF CHAIRMAN OF THE BOARD**

Roman Almaguer noted that the board serves on a volunteer basis and believes in the credit union system of helping people. As a financial cooperative, the board is happy to play their part in the success of the credit union. He stated that 2016 was a positive year in being financially sound and adding services to members. We had a high level of profitability that added to our already strong capital position. This fact ensured that members' funds are well protected and we are positioned to spend needed funds to continue to expand our services, stay with or ahead of technological advances, and provide convenience in members' financial matters.

The credit union brings a variety of services that much larger institutions offer and strives to provide a level of service that welcomes and rewards our members, allowing them to grow with us. He concluded thanking the board for volunteering their services this past year and commending the staff for their success. Together, the credit union will continue to improve and provide a great alternative for our community.

## **REPORT OF THE CEO**

Greg Fair noted that the credit union is about people sharing and helping each other with their finances. Deposits from members are loaned out to other members where they all benefit. This fact identifies the credit union as a very unnatural organization compared to other

financial institutions. Because of this, many in the general public and even members get the wrong perspective of how and why we operate.

The credit union had another profitable year with a high degree of capital. Our reports clearly reflect we are financially sound and that members funds are safe with us. The fact that we continue to grow in assets and accounts demonstrates we are effectively changing the perspective of current and new members about the credit union. We will continue to stress that we are a financial cooperative and how participation in the credit union helps fellow members today and builds a better future for all of us. Mr. Fair thanked the board for their work and leadership and acknowledged the staff for allowing the credit union to grow and prosper.

## **UNFINISHED BUSINESS**

None

## **NEW BUSINESS**

None

## **NOMINATING COMMITTEE**

The Chairman appointed Samuel Shores, Mark Kulwicki, and Hector Garcia to the nominating committee in September of 2016. The committee was charged with nominating one or more candidates for two 3 year terms expiring in 2017 (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 the two open positions on the Board. The nominees were:

Yolanda Lozano  
Manuel Esquivel III

MOTION by Blake Kemmis, second by Debra Garza to elect the nominees by acclamation. MOTION CARRIED.

## **CONCLUSION AND ADJOURNMENT**

Chairman Roman Almaguer concluded the business of the meeting.

MOTION by Debra Garza, second by Noe Garcia to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 6:15 p.m.

## TREASURER'S REPORT

Members First Credit Union had a solid year of continued financial strength and improved growth. Total assets increased in 2017 to \$129,231,813. Funds advanced were \$21,862,413 enabling loans to grow 3.0% to end the year at \$58,435,146. Deposits also experienced moderate growth increasing 2.0% to \$103,903,095.

Capital ratio is a main indicator of the strength of a financial institution. Members First is in the top 1% of credit unions and we strengthened further to a capital to asset ratio of 19.17%. This compares well to our peer group average of 10.91%.

We were very profitable for the year with net income of \$1,333,342. One of the main reasons we accomplished this was by having the lowest operating expense ratio we have experienced in over 10 years. On the negative side, however, we experienced a large amount of loan losses. In fact, our provision for loan losses was \$523,549, an amount nearly 50% higher than what we normally experience. However, we believe it was due to a weaker than normal job market which should improve in the future. Even so, positive results in all other areas allowed us to have a capital contribution of 1.11%, more than double the average of our peers of 0.54%.

Membership growth was positive at 2.1% for the year, the highest growth we have seen in the last 5 years. Active members also showed improvement with share draft accounts up 5.5%, VISA check cards 5.2%, and credit cards up 3.4%.

Our goal is to provide members a secure place to handle their finances and our numbers reflect we are one of the safest options they can choose from and that we continue to improve each year. We also wish to provide the best possible service which is reflected in member adoption of our products and new technology. Of our 11,830 members, 8,364 have an active share draft account, 4,746 use our CU Online service, and 2,258 now use our mobile application that provides the latest technology in easy access to a member's account.

I want to thank the board for contributing their services this past year. I also commend the staff on a job well done and keeping us headed in the right direction.

Respectfully submitted,



Samuel Shores  
Secretary/Treasurer

**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2017 AND 2016**

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**ASSETS**

	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	\$ 14,349,361	\$ 7,173,789
Investments	49,143,652	54,222,000
Loans to members, net	58,021,069	56,393,988
Accrued interest receivable	565,789	481,886
Property and equipment	4,906,630	5,085,963
National Credit Union Share Insurance Fund deposit	843,916	942,563
Other assets	1,401,396	1,265,617
 Total assets	 \$ 129,231,813	 \$ 125,565,806

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities

Members' shares	\$ 103,903,095	\$ 101,815,636
Accrued expenses and other liabilities	1,590,717	1,294,638
 Total liabilities	 105,493,812	 103,110,274

Members' equity

Retained earnings, substantially restricted	24,773,086	23,439,744
Accumulated other comprehensive income (loss)	(1,035,085)	(984,212)
 Total members' equity	 23,738,001	 22,455,532
 Total liabilities and members' equity	 \$ 129,231,813	 \$ 125,565,806

**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 3,174,015	\$ 3,275,512
Interest on investments and cash equivalents	933,648	775,766
<b>TOTAL INTEREST INCOME</b>	4,107,663	4,051,278
<b>INTEREST EXPENSE</b>		
Dividends on members' shares	459,718	500,116
<b>NET INTEREST INCOME</b>	3,647,945	3,551,162
<b>PROVISION FOR LOAN LOSSES</b>	523,549	473,396
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	3,124,396	3,077,766
<b>NON-INTEREST INCOME</b>		
Fees and Charges	1,307,239	1,349,129
Other non-interest income	947,967	987,106
<b>TOTAL NON-INTEREST INCOME</b>	2,255,206	2,336,235
<b>INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES</b>	5,379,602	5,414,001
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	2,063,310	2,188,067
Operations	1,564,110	1,668,663
Occupancy	437,253	448,330
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	4,064,673	4,305,060
<b>NET NON-OPERATING GAINS (LOSSES)</b>	18,413	(4,019)
<b>NET INCOME</b>	<u>\$ 1,333,342</u>	<u>\$ 1,104,922</u>

**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>Retained Earnings</u>			<u>Accumulated Other Comprehensive Income (Loss)</u>
	<u>Regular Reserve</u>	<u>Unappropriated</u>	<u>Total</u>	
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	\$ 1,514,142	\$ 21,925,602	\$ 23,439,744	\$ (984,212)
Net income		1,333,342	1,333,342	
Net change in defined benefit obligations				(50,873)
Balance, December 31, 2017	<u>\$ 1,514,142</u>	<u>\$ 23,258,944</u>	<u>\$ 24,773,086</u>	<u>\$ (1,035,085)</u>

## **ELECTION RULES**

(as printed in the October 2017 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, 2017. 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.