

# Members First Credit Union Annual Report 2019

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## **DIRECTORS**

Manuel Esquivel III, Chairman (2020)  
Samuel Shores, Vice-Chairman (2022)  
Roman Almaguer, Secretary/Treasurer (2021)  
Mark Kulwicki (2021)  
Hector Garcia (2021)  
Yolanda Lozano (2020)  
Sabra Morlan (2022)

## **MANAGEMENT**

Greg Fair, Chief Executive Officer  
Wanda Muessel, Chief Operations Officer  
Belinda Reeves, Member 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  
Vanessa Vera, Collections Manager  
Rachael Storr, Marketing Director  
Adriana Crisp, Human Resources Manager

# **AGENDA**

Welcome – Manuel Esquivel III, Chairman

Invocation

Determination of a Quorum

Introduction of Directors

Minutes of the Previous Meeting

Reports:

Treasurer – Roman Almaguer

Chairman – Manuel Esquivel III

CEO - Greg Fair

Unfinished Business

New Business

Election of Directors

Adjournment

## **80<sup>th</sup> ANNUAL MEMBERSHIP MEETING**

### **February 26, 2019**

The 80<sup>th</sup> Annual Membership Meeting of Members First Credit Union was held on Tuesday, February 26, 2019 at the main office located at 5444 S. Staples, Corpus Christi, Texas.

Chairman of the Board Manuel Esquivel III welcomed members and brought the meeting to order at 6:00 p.m.

The Chairman verified that 39 members had registered. He certified that a quorum was present and declared it a legal meeting.

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

The Chairman stated the board met for 12 regular monthly meetings in 2018 and 4 special meetings.

Secretary/Treasurer Roman Almaguer noted a copy of the minutes of the 79<sup>th</sup> Annual Meeting was provided in the 2018 Annual Report and asked for a motion to dispense with the reading and accept them as written.

MOTION by Blake Kemmis, second by Rachael Storr to accept the minutes as written. MOTION CARRIED.

### **REPORT OF TREASURER**

Roman Almaguer reported the credit union had a very successful year in profitability, strengthening capital, loan growth, and account growth. Net income for the year was \$1,691,310 providing a capital contribution ratio of 1.34%. This is up from last year's 1.1% and well above peer of 0.73%. Our capital to assets ratio climbed over 20% and is the highest in our history. \$22M in loans were funded during 2018 and the loan portfolio grew by 7.4%. Loan losses were higher than we like but lending still contributed to the overall success of the year. Membership increased slightly to 11,918 members with share draft accounts up 2.8%, check cards up 4.3%, and credit cards up 3.9%. Mr. Almaguer concluded the credit union is committed to making

a positive difference in the lives of our members and in being their most trusted financial service provider.

MOTION by Carmelita Moreno, second by Tiffany Bain, approving the Treasurer's Report as written. MOTION CARRIED.

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

Manuel Esquivel III stated the board is charged with the general direction and control of the credit union and acting in the best interests of the members. Regulators reflected we are operating as a safe and sound credit union and our supervisory audit showed our operations and reporting procedures are accurate and properly reflect our financial condition. The credit union had a good year financially and was able to provide competitive rates and fees, the latest in a variety of products, quality service, safety of member account information, and the strongest possible option for members to place their funds. He thanked the employees for their hard work and the board for volunteering this past year.

## **REPORT OF THE CEO**

Greg Fair noted the credit union uses a number of business terms that are important to the credit union and to its members. The term that best represents the credit union and its purpose is people helping people. It is an old term but properly reflects what we are about. The credit union has been in operation for over 80 years and has always been led by a board of volunteers that has focused on providing the best financial benefit we can for our members. The greatest asset of the credit union is not our locations or advanced computer system but our employees. They strive to improve the credit union and act for the betterment of our members. People are what make the credit union different. As long as we continue to work together and place the best financial interest of our members as our priority, we will continue to be successful and improve our level of service.

## **UNFINISHED BUSINESS**

None

## **NEW BUSINESS**

None

## **NOMINATING COMMITTEE**

The Chairman appointed Mark Kulwicki, Hector Garcia, and Yolanda Lozano to the nominating committee in September of 2018. The committee was charged with nominating two or more candidates for two 3 year terms expiring in 2019 (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:

Samuel Shores  
Sabra Morlan

MOTION by Blake Kemmis, second by Andrea Cadena to elect the nominees by acclamation. MOTION CARRIED.

## **CONCLUSION AND ADJOURNMENT**

Chairman Manuel Esquivel III concluded the business of the meeting.

MOTION by Debra Garza, second by Belinda Reeves to adjourn the meeting. MOTION CARRIED.

The meeting was adjourned at 6:14 p.m.

## **TREASURER'S REPORT**

In 2019, Members First Credit Union had moderate growth with excellent financial strengthening. The year ended with total assets of \$130,672,860 and 11,894 members. Deposits grew a modest 0.9% to end at \$101,692,119 while the loan portfolio grew a solid 4.5% to \$65,611,180. Loan growth was a result of loans funded for the year totaling \$22,462,961, our highest in the last 3 years.

Net income for the year was one of our best ever at \$2,115,509. This was accomplished due to higher interest income from a growing loan portfolio and higher investment returns. Even with loans growing, loan losses dropped substantially from the previous year's total of \$545,778 to \$186,303. Expenses were again low with a net operating expense ratio of 1.42% compared to our peer ratio of 2.40%.

With a strong bottom line, we were able to build on our capital position to end the year with a capital to asset ratio of 21.87%. This puts us in the top 1% compared to our peers. A Supervisory Committee Audit was performed by Harold Antao and Company LLC to review our accounting practices and records which resulted in no major concerns or findings.

Our commitment to making a positive difference in the lives of our members is evident with our competitive rates and low fees. It is also reflected by the high activity of members during the year with 8,795 checking accounts (up 2.3%), 9,303 check cards (up 3.3%), 2,174 credit cards (up 3.0%), 5,726 users of our online service (up 2%), and 3,348 mobile/web users (up 2.4%).

Providing quality service is extremely important to us and our financial results reflect we will be able to provide even better products and services in the future. Our strong financial position shows we can provide the highest level of safety and soundness in a financial institution. We are thankful for the loyalty of our members as well as the effort of our employees and the time volunteered by our directors in making 2019 such a great year.

Respectfully submitted,

A handwritten signature in cursive script that reads "Roman Almaguer Jr.".

Roman Almaguer Jr.  
Secretary/Treasurer

**STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2019 AND 2018**

**ASSETS**

	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$ 11,323,228	\$ 6,281,623
Investments	43,175,709	51,772,102
Loans to members, net	65,226,731	62,302,033
Accrued interest receivable	396,290	302,299
Property and equipment	4,835,425	4,724,309
National Credit Union Share Insurance Fund deposit	972,028	974,202
Other assets	4,743,449	1,304,413
<b>Total assets</b>	<b>\$ 130,672,860</b>	<b>\$ 127,660,981</b>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities

Members' shares	\$ 101,692,119	\$ 100,750,808
Accrued expenses and other liabilities	1,238,404	1,506,644
	102,930,523	102,257,452

Members' equity

Retained earnings, substantially restricted	28,579,905	26,464,396
Accumulated other comprehensive income (loss)	(837,568)	(1,060,867)
	27,742,337	25,403,529
<b>Total liabilities and members' equity</b>	<b>\$ 130,672,860</b>	<b>\$ 127,660,981</b>



**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>INTEREST INCOME</b>		
Interest on loans to members	\$ 3,416,886	\$ 3,149,295
Interest on investments and cash equivalents	1,193,375	1,136,028
<b>TOTAL INTEREST INCOME</b>	4,610,261	4,285,323
<b>INTEREST EXPENSE</b>		
Dividends on members' shares	481,401	457,064
<b>NET INTEREST INCOME</b>	4,128,860	3,828,259
<b>PROVISION FOR LOAN LOSSES</b>	186,303	545,778
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	3,942,557	3,282,481
<b>NON-INTEREST INCOME</b>		
Fees and Charges	1,437,105	1,500,853
Other non-interest income	1,137,954	1,087,061
<b>TOTAL NON-INTEREST INCOME</b>	2,575,059	2,587,914
<b>INCOME BEFORE GENERAL AND ADMINISTRATIVE EXPENSES</b>	6,517,616	5,870,395
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and benefits	2,314,999	2,159,957
Operations	1,622,899	1,562,762
Occupancy	471,709	457,764
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	4,409,607	4,180,483
<b>NET NON-OPERATING GAINS (LOSSES)</b>	7,500	1,398
<b>NET INCOME</b>	\$ 2,115,509	\$ 1,691,310

**MEMBERS FIRST CREDIT UNION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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	Retained Earnings			Accumulated Other Comprehensive Income (Loss)
	Regular Reserve	Unappropriated	Total	
Balance, December 31, 2017	\$ 1,514,142	\$ 23,258,944	\$ 24,773,086	\$ (1,035,085)
Net income		1,691,310	1,691,310	
Net change in defined benefit Obligations				(25,782)
Balance, December 31, 2018	\$ 1,514,142	\$ 24,950,254	\$ 26,464,396	\$ (1,060,867)
Net income		2,115,509	2,115,509	
Net change in defined benefit obligations				223,299
Balance, December 31, 2019	<u>\$ 1,514,142</u>	<u>\$ 24,950,254</u>	<u>\$ 28,579,905</u>	<u>\$ (837,568)</u>

## **ELECTION RULES**

**(as printed in the October 2019 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, 2019. 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.