



2019 annual report

Connect INTERACTION **Coworkers** Teammates  
Relatives **Connections** CLIENTS  
**Sustain** DEVELOP Build Family **Customers** CONNECTION  
FRIENDSHIP TEAM **BUSINESS**  
**Relationships**  
Correlation **BOND** Alliance PEERS **People** ASSOCIATION Partnership LINK Friends Relations Association

- 1 I will provide a warm and sincere greeting.
- 2 I will take ownership and make the member my priority.
- 3 I will anticipate and fulfill the member's needs.
- 4 I will deliver personal and quality service.
- 5 I will protect the privacy and security of our members.
- 6 It is my goal to create memorable and personal experiences.
- 7 I take pride in my professional appearance, language, behavior and workplace.
- 8 I will create an environment of trust, honesty, respect, integrity and commitment.
- 9 I will end the visit in a personal and courteous manner.
- 10 I hold myself accountable for organizational service commitments.

## member service standards







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## 2019 annual meeting minutes

A meeting of the general membership of MemberSource Credit Union was held on Thursday, May 30, 2019, at 10100 Richmond Ave, Houston, Texas 77042. Chairman Tarver called the meeting to order at 5:03 p.m. She then called on Director Peper to ascertain that a quorum of at least 25 members were present. Director Peper confirmed that there was a quorum.

Chairman Tarver called for a reading of the minutes from the previous Annual Meeting on May 31, 2018. Director Richardson made a motion to dispense with the reading of the minutes. Director Peper seconded the motion; motion carried. Director Baskin made a motion to approve the minutes of the 2018 Annual meeting as written. Sarah Livingston seconded the motion; motion carried.

Chairman Tarver introduced Kenny Harrington, President/CEO. Mr. Harrington introduced the members of the Board and management:

- Ellen Tarver, Chairman
- Jeremy Smith, Vice Chairman
- Joe Hildenbrand, Treasurer
- Cheri Peper, Secretary
- Gay Baskin, Director
- David Berry, Director
- Patrick Gibson, Director
- Richard Patton, Director
- Art Richardson, Director
- Leon Davis, CFO
- Kelly Brink, Chief Lending Officer
- Samuel Phelps, Vice President, Info Technology
- Bobbi Phelps, Vice President, Branch Operations
- Diana Fisher, Vice President, Marketing
- Dana Forrest, Administrative Assistant

Chairman Tarver presented the Chairman's report, and Director Hildenbrand presented the Treasurer's report.

Chairman Tarver asked if there was any unfinished business from the 2018 Annual meeting. There was none. She then asked if there was any new business. There was none.

Director Smith presented the report from the Nominating Committee on behalf of Derick Smith, Sonia Herlong and Perry Ramey. The Committee met to review the potential Nominees. The Committee was deliberate and conscientious at its meeting and is unanimous in its nominations. Since there were no petitions from the notice that was distributed to the members in the December 2018 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors:

- Joe Hildenbrand, retired Spectra Energy
- Art Richardson, Stratos Legal, LLP
- Patrick Gibson, Enbridge Energy

Chairman Tarver called for a motion to nominate the slate of Nominees. Director Baskin made a motion to place the names as presented by the Nominating Committee into nomination. Sarah Livingston seconded the motion; motion carried. Chairman Tarver called for a motion to elect by acclamation the Nominees as presented by the Nominating Committee. Director Patton made a motion that the Nominees be elected by acclamation. Kenny Harrington seconded the motion; motion carried.

Mr. Harrington called on Ms. Fisher to conduct the drawing for the door prizes.

There being no further business, Director Peper made a motion that the meeting be adjourned. Maria Prado seconded the motion; motion carried. The meeting adjourned at 5:25 p.m.

Chairman Tarver thanked everyone for attending and invited them to join us for refreshments.





## mission & vision statements

### **mission** statement

MemberSource will consistently meet members' needs by providing personal, quality service in a professional environment through motivated employees.

### **vision** statement

To be a leading credit union for the greater Houston metropolitan area.



1,614

loans made in 2019



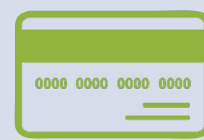
17,133

current members



565

real estate loans



\$11,501,216

total credit card balances

## chairman & president's report

When you joined the credit union with your initial deposit, you became a very important person in the credit union industry. You became a "member-owner". That initial deposit was your share in MemberSource Credit Union, and it empowered your voice in the financial institution. Credit unions operate on a "one member, one vote" principle, so when you participate in the voting process, you're contributing to the growth and potential of your credit union.

Because of this business model, MemberSource can offer you lower rates on loans, higher rates on savings, and few fees. Across the country, credit unions provide more than \$12 billion in financial benefits to members annually. In short, credit unions put people over profits.

Since our credit union opened in 1958, we've grown from just a few members to over 17,000, and our assets have grown to over \$187 million. We are proud of how far we've come and we know our many accomplishments would not have been possible without the ongoing energy, optimism, commitment and service of everyone involved in the operations of this credit union. Because of the work we've all done *together*, this credit union is thriving.

From a business perspective, MemberSource Credit Union continues its steady trajectory forward and upward, with our focus finely tuned to the things that matter to our members. We're able to offer beneficial savings and financial products and services to members that enhance your life and improve your delivery channels. One example was evidenced by our electronic services conversion in April where we updated our online statements, online banking and mobile banking, bill pay system, new remote deposit capture app, loan repayment options from other financial institutions and more. We also introduced educational videos about our various products and services to make you more familiar with the features and use of these new products and services.

The financial information posted in this report detail the numerous ways in which MemberSource Credit Union performed well. Members continue to trust us to keep their money safe and saw us as a trusted resource for borrowing as well as saving as Certificate of Deposit balances increased over 2018 results. Other financial highlights include:

- Members borrowed more than \$29.5 million which added 1614 new loans in 2019.
- Credit card balances grew by \$461,507 - a 4.2% increase.
- The number of student loans we made for higher education grew 12.4%.
- MemberSource experienced a very low delinquency ratio of 0.38%, which is significantly lower than our peer average.

As we continue on in 2020, we promise that MemberSource Credit Union will continue to grow responsibly while listening and responding to your needs. Our member-owners are integral to our credit union partnership, and we are sincerely grateful for your loyalty to MemberSource Credit Union.

Ellen S. Tarver, Board Chairwoman

Kenny Harrington, President/CEO



## treasurer's report

Credit unions across the country did extremely well in 2019. Texas has 446 credit unions with more than \$9.1 million members with total assets of \$107 billion. These figures reflect a robust and healthy credit union system, of which MemberSource Credit Union is a key part.

MemberSource Credit Union has enjoyed 61 years of serving the financial needs of our members. The reason for our success is the leadership of a committed board of directors and management team and the loyalty of our members.

It is important to recognize my fellow board members for their leadership and passion for this credit union. The strength of their commitment is key to our long-term sustainability and prosperity. And to our members, we thank you for the continued trust you place in our credit union to serve your financial needs.

As you will see in the financial section, MemberSource Credit Union performed well in 2019. I am very pleased to announce that MemberSource is once again a well-capitalized financial institution, with a strong net worth ratio of **9.11%**. To put that in perspective, a net worth position above 7 percent is considered well-capitalized by our regulators.

It is a testament to our strength as a financial institution that so many of you are turning to the credit union for your mortgage needs - especially second mortgages. The number of real estate loans increased by **14%** and balances increased by **22.8%** over 2018. Loan demand across all loan types continues to be steady.

Some other notable financial statistics include:

- Auto loans reached over **\$88 million**
- Checking balances remained steady at **\$44.9 million**
- Total loans outstanding hit **\$152.8 million**

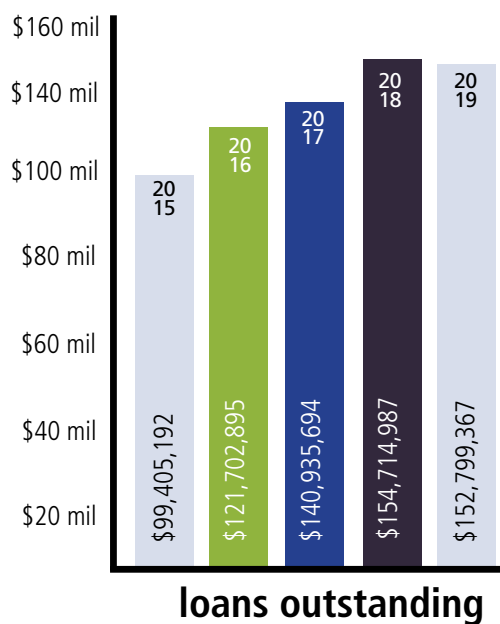
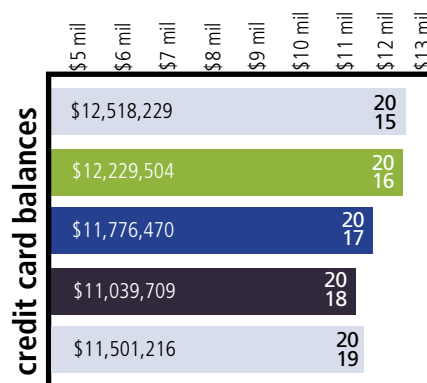
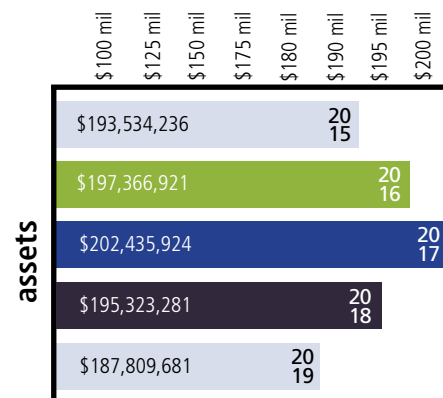
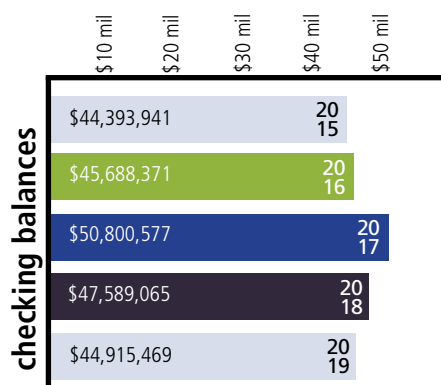
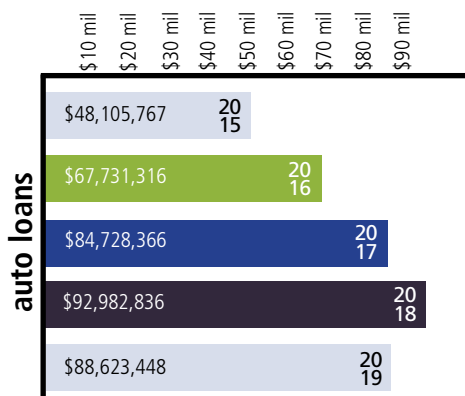
It is a challenge to balance loan and deposit rates, fees, expenses and salaries and offer the latest and greatest financial services our industry has to offer. But we do it because we know our members deserve it from their primary financial institution. The year-end numbers show we are committed to doing that.

As we continue into 2020, we can look optimistically into the future because our credit union is well-positioned to face any challenge or seize any opportunity this next year may bring.

Joe Hildenbrand, Treasurer



# financial highlights



**SIXTY-ONE**  
years of serving members



# Credit Union Financials

## 2019

## 2018

statement of financial condition

### ASSETS

Loans to Members, net	\$ 152,306,232	\$ 153,794,013
Cash and Cash Equivalents	1,954,066	7,293,749
Investments (Available for Sale/Other)	24,324,363	24,844,051
Property and Equipment, net	6,241,886	6,282,022
Share Insurance Deposits	1,634,856	1,693,644
Other Assets	793,556	898,145
Accrued Interest Receivable	554,722	517,657
<b>TOTAL ASSETS</b>	<b>\$ 187,809,681</b>	<b>\$ 195,323,281</b>

### LIABILITIES & MEMBERS' EQUITY

Members' Shares	169,081,922	177,762,446
Accrued Expenses & Other Liabilities	1,625,040	1,029,756
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$17,102,719</b>	<b>\$16,531,079</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$187,809,681</b>	<b>\$195,323,281</b>

### INTEREST INCOME

Interest on Loans to Members	\$ 6,907,262	\$ 6,346,614
Interest on Investments and Cash Equivalents	589,069	706,783
<b>TOTAL INTEREST INCOME</b>	<b>\$ 7,469,331</b>	<b>\$ 7,053,397</b>

### INTEREST EXPENSE (Dividends on Members' Shares plus Interest on Borrowed Funds)

\$ 615,236 \$ 450,483

### TOTAL INTEREST EXPENSE

Net Interest Income	\$ 6,881,094	\$ 6,602,914
Provision for Loan Losses	1,273,452	1,286,645
Net Interest Income After Provision for Loan Losses	<b>\$5,607,642</b>	<b>\$5,316,269</b>

### NON-INTEREST INCOME

Service Charges and Other Fees	\$2,851,375	\$2,207,644
NCUSIF Non-Operating and Other Non-Interest Income	0	855,768

### TOTAL NON-INTEREST INCOME

\$ 2,851,375 \$ 3,063,412

### Income Before General and Administrative Expenses

\$ 8,459,017 \$ 8,379,681

### GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$ 4,138,094	\$ 4,183,010
Occupancy	696,198	758,374
Operations	3,116,605	3,019,854

### TOTAL GENERAL AND ADMINISTRATIVE EXPENSE

\$7,950,897 \$7,961,238

### NET INCOME

\$ 508,120 \$ 418,443

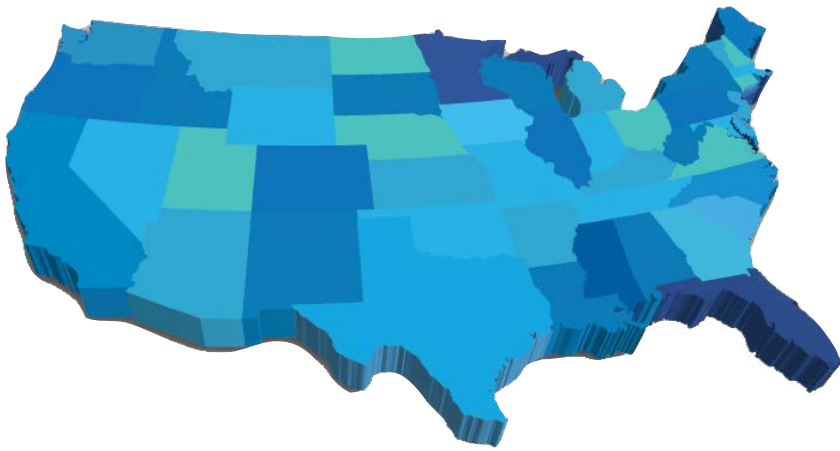
### Other Comprehensive Income: Net Change in Unrealized

Gains (Losses) on Available-for-Sale Investments (22,058) (15,467)

### TOTAL COMPREHENSIVE INCOME

\$ 486,062 \$ 402,976

statement of income



**5,500**  
shared branches  
worldwide

**55,000+**  
free allpoint ATMs  
worldwide



## member impact

In April 2019, MemberSource Credit Union completed a conversion of many of our electronic services. This was a huge undertaking and included upgrades to online banking, mobile banking and bill pay, e-statements, a new remote deposit capture mobile app, new payment transfer options and more. We also introduced new educational videos on several of our electronic products and services, so our members would have the information and skills to utilize these services more easily.

MemberSource Credit Union continues to believe that our members deserve access to money-saving options and credit union partners to make their financial life easier. Some of those options include:

### Savings programs:

- Allpoint (free nationwide ATM network)
- TurboTax®
- Sprint®
- Summer and Winter Skip a Payment
- 0% MSCU Visa® Balance Transfer Offer

### Credit Union Partners:

- Member Home Loan
- Member Auto Center
- Carvana
- Enterprise

### Card transaction protection:

- CardValet
- Transaction alerts

## community impact

MemberSource Credit Union feels it is important to contribute to our community and serve when and where possible. During 2019, our staff participated in several volunteer efforts and in various community events. Some of the highlights include:

- Donated door prizes to various organizations
- Provided calendar giveaway for members
- Official Credit Union of the Sugar Land Skeeters
- Donated Skeeters baseball tickets
- Promoted MSCU at Skeeters booth during game
- Volunteered at West Hou Assistance Ministries
- Volunteered at the Houston Food Bank
- Raised funds through Jeans Day pass purchases for Houston Children's Charities, Susan G. Komen, Texas Cornerstone Credit Union League PAC and Cornerstone Credit Union Foundation
- Financial donation to Houston Chapter of CUs Food Drive
- Donated toys to West Houston Assistance Ministries
- Participated in partner company Health Fairs
- Hosted annual Blood Drive
- Volunteered at Lunches of Love





## about us

### board of directors

**Ellen S. Tarver, Chair**  
Term Expires 2020

**Jeremy Smith, Vice Chair**  
Term Expires 2021

**Joe Hildenbrand, Treasurer**  
Term Expires 2022

**Cheri L. Peper, Secretary**  
Term Expires 2020

**Gay Baskin, Member**  
Term Expires 2021

**David L. Berry, Member**  
Term Expires 2021

**Patrick Gibson, Member**  
Term Expires 2022

**Richard Patton, Member**  
Term Expires 2020

**Art Richardson, Member**  
Term Expires 2022

**Kenny Harrington**  
President, CEO

**Diana Fisher**  
VP, Marketing

**Leon Davis**  
Chief Financial Officer

**Bobbi Phelps**  
VP, Branch Operations

**Kelly Brink**  
Chief Lending Officer

**Samuel Phelps**  
VP, Information Technology

### management team

### branch locations

**Westchase**  
Westchase Branch  
10100 Richmond Ave  
Houston TX 77042

**Galleria**  
Galleria Branch  
1st Floor - Enbridge Building  
5400 Westheimer Ct  
Houston, Texas 77056

**The Woodlands**  
The Woodlands Branch  
1201 Lake Robbins Dr  
1st Floor  
The Woodlands, TX 77380

**Sugar Land**  
Sugar Land Branch  
16535 Lexington Blvd  
Suite 145  
Sugar Land TX 77479