

**20  
17**

**annual  
report**

**MEMBERSOURCE CREDIT UNION**

# Member Service Standards

## Service Standard 1

I will provide a warm and sincere greeting.

## Service Standard 2

I will take ownership and make the member my priority.

## Service Standard 3

I will anticipate and fulfill the member's needs.

## Service Standard 4

I will deliver personal and quality service.

## Service Standard 5

I will protect the privacy and security of our members.

## Service Standard 6

It is my goal to create memorable and personal experiences.

## Service Standard 7

I take pride in my professional appearance, language, behavior and workplace.

## Service Standard 8

I will create an environment of trust, honesty, respect, integrity and commitment.

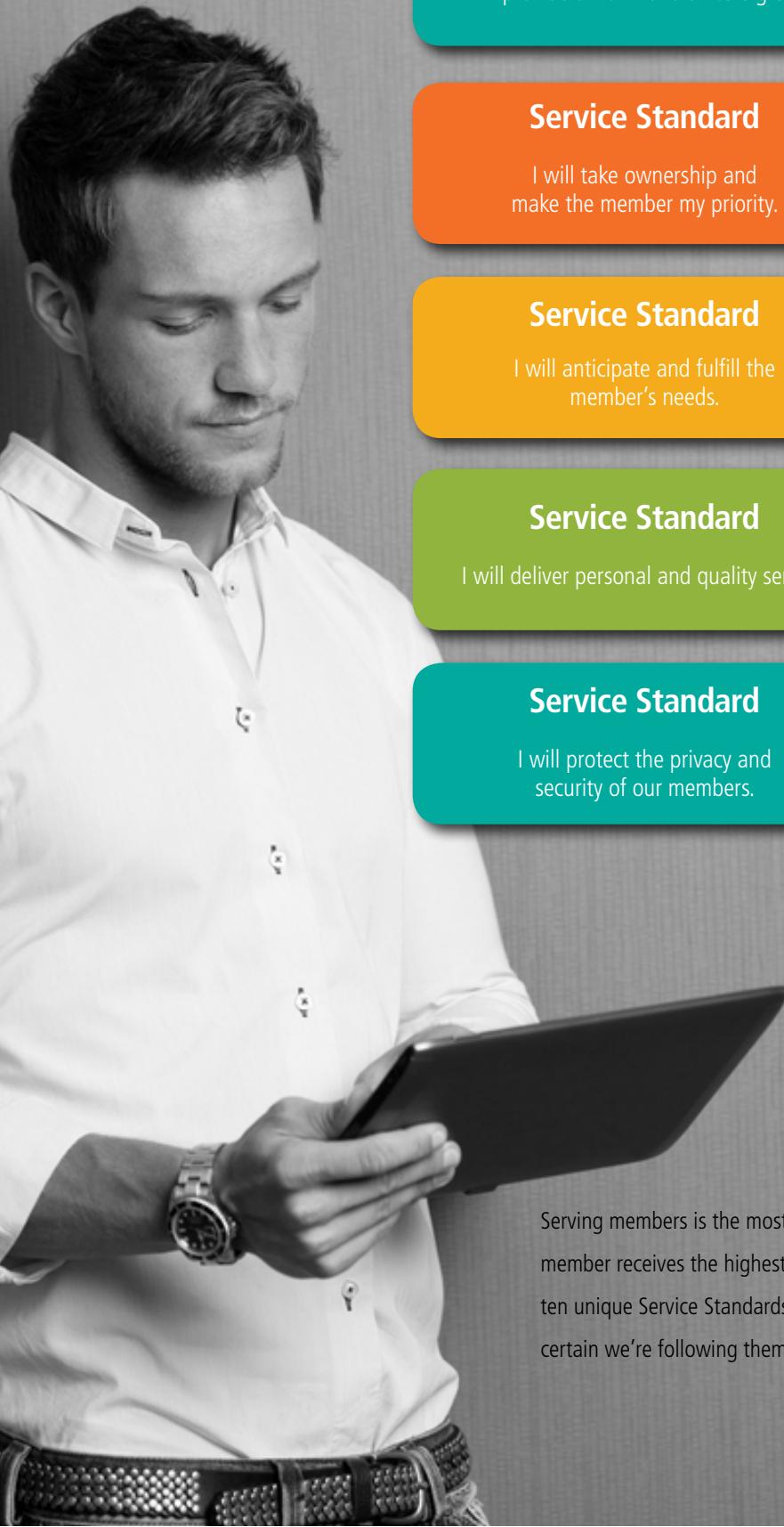
## Service Standard 9

I will end the visit in a personal and courteous manner.

## Service Standard 10

I hold myself accountable for organizational service commitments.

Serving members is the most important task for which all employees are responsible. To ensure each member receives the highest level of service, MemberSource Credit Union implemented a set of ten unique Service Standards. Staff, Supervisors and Management frequently review them to make certain we're following them to the best of our ability.





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## 2017 Annual Meeting Minutes

A meeting of the general membership of MemberSource Credit Union was held on May 25, 2017, at 10100 Richmond Ave, Houston Texas 77042. Chairman Patton called the meeting to order at 5:04 pm. He then called on Director Tarver to ascertain that a quorum of at least 25 members was present. Director Tarver confirmed that there was a quorum.

Chairman Patton called for a reading of the minutes from the previous Annual Meeting on May 26, 2016. Director Garrett made a motion to dispense with the reading of the minutes. Sarah Livingston seconded the motion; motion carried. Director Baskin made a motion to approve the minutes of the 2016 annual meeting as written. Director Tarver seconded the motion; motion carried.

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

- Richard Patton, Chairman
- Ellen Tarver, Vice Chairman
- Joe Hildenbrand, Treasurer (unable to attend)
- Cheri Peper, Secretary (unable to attend)
- Gay Baskin, Director
- David Berry, Director
- Melinda Garrett, Director
- Art Richardson, Director (unable to attend)
- Jeremy Smith, Director
- Leon Davis, CFO
- Kelly Brink, VP Administration (unable to attend)
- Samuel Phelps, VP Information Technology
- Bobbi Phelps, VP Branch Operations
- Diana Fisher, VP Marketing
- Dana Forrest, Administrative Assistant

Mr. Harrington also introduced Debra Seefeld from the accounting firm of Seefeld Lawson Moeller, LLP.

Chairman Patton presented the Chairman's report. Director Tarver presented the Treasurer's report on behalf of the Treasurer, Director Hildenbrand. Following the reports, Chairman Patton asked if there were any questions from the floor. Ralf Pena asked why members do not have the option to choose the personal identification number (PIN) for their credit cards. Ms. Fisher noted that although members have the option to choose the PIN for their debit cards, the option is not offered

by the processor for the credit cards. So that it is easier for the members to understand, Chris Ellinger requested that the information included in the Treasurer's report be given as the percentage of increase over the previous year rather than just the dollar amount.

Chairman Patton asked if there was any unfinished business from the 2016 Annual meeting. There was none. He then asked if there was any new business. There was none.

Director Berry presented the report from the Nominating Committee on behalf of Dennis Ewbank, John Smith and Gary Wolf. 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 2016 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors.

- Ellen Tarver, retired Anadarko Petroleum
- Richard Patton, CPA
- Cheri Peper, retired Apache Corporation

Director Berry called for a motion to nominate the slate of nominees. Director Smith made a motion to place the names as presented by the Nominating Committee into nomination. Director Garrett seconded the motion; motion carried. Director Berry called for a motion to elect by acclamation the nominees as presented by the Nominating Committee. Director Smith made a motion that the nominees be elected by acclamation. Director Garrett 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 Baskin made a motion that the meeting be adjourned. Sarah Livingston seconded the motion; motion carried. The meeting adjourned at 5:25 pm.

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

## **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.





**real  
estate**  
**\$35,010,920**

5.75% increase

**assets**  
year-end  
**\$202,435,924**

## Chairman's and President's Report

When our credit union founders opened for business in 1958, they could only have dreamed that their vision for a banking alternative for their small field of membership might be successful. They could not have known their venture would grow from just a few members with money stashed in a desk drawer to **17,500** members with over **\$202 million** in assets. We look back on those days with gratitude for their courage, but also with a sense of awe at how far we've come - and we didn't get here by accident.

As shown on the following pages in this Annual Report, MemberSource Credit Union performed well in 2017. Though the credit union needs to make a profit to keep the doors open, our members (or stakeholders) are extremely important to us and our goal is to distribute profits back to our members in the form of new services and products, competitive rates and enhanced services. Some of the highlights from this report include:

- You, the members and owners, have borrowed more than **\$36.9 million** which added nearly **2300** new loans in 2017. Loans outstanding have increased **15%** over the previous year. This reflects the continued optimism in our economy and trust in your credit union.
- Many of you are turning to MemberSource for your mortgage loan needs. In 2017, we experienced a growth of **5.75%** for a total of **\$35 million** in real estate loans.
- Favorable interest rates motivated many members to buy vehicles. In 2017, auto loan balances reached **\$84.7 million**.
- While making all of these loans, MemberSource continues to experience a low delinquency ratio of **0.41%**. We appreciate the commitment of our members to honor their financial obligations with us.

Just as you are committed to your financial institution, we are committed to you. Take time to review the section regarding Member Impact and Community Impact. You will get a glimpse of the "extra" things that your credit union does outside of everyday activities and normal business operations.

In 2017, we experienced one of the most controversial years for the nation. And while political headlines vied for our attention, the credit union movement continued onward and upward, focusing on the things that matter to credit unions and our members. We are proud to support our League legislative advocates that work tirelessly to champion credit union causes fighting off banker attacks and fighting for consumer access to credit unions.

With the continued success of MemberSource Credit Union, we can offer beneficial savings and wealth-building tools and other financial products and services that enhance your life, improve our delivery channels, and expand our community outreach. Some of our goals for 2018 will focus on:

- Targeting segments of our community where we can make the biggest impact
- Becoming the knowledge center that allows our members to get insight on budgeting, buying, retiring and saving
- Offering more and even better resources that ensure our members are using the safest, most convenient technology available
- Continuing to be the financial "Source" for our members to manage everything from basic household finances to lending needs for auto and mortgage loans

As we move to 2018, we will continue to grow responsibly while listening and responding to your needs; explore innovative product and service solutions; and to develop our staff to confidently and wisely serve your interests.

**Richard Patton, Chairman of the Board**

**• Kenny Harrington, President/CEO**



## Treasurer's Report

I'm very pleased to announce that again this year, MemberSource Credit Union is a well-capitalized financial institution, with a strong net worth ratio of **8.02%**. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators.

The financial information included within this report for 2017 also illustrates that MemberSource Credit Union has a strong financial position and is growing at a healthy, steady rate. When members entrust their personal finances to our credit union, in both loan and savings needs, it is a great indicator of confidence and loyalty.

MemberSource strives to be the primary financial institution our members turn to for their financial needs. We offer the most up-to-date products, services and convenience available in the market. In addition to offering these new products, MSCU management balances loan and deposit rates, fees, expenses, salaries and more to be financially successful. The results are shown on the 2017 Credit Union Financials page.

Favorable interest rates, a strengthening economy, and the need to replace vehicles after the Harvey flood motivated many of you to finance new vehicle loans with us. MemberSource closed out 2017 with **4560** auto loans worth more than **\$84.7 million**.

Some of the other notable areas where MemberSource experienced growth include:

- Real Estate loan balances grew **5.75%** to **\$35 million**
- Auto loans increased **25%** reaching **\$84.7 million**
- Loans outstanding experienced growth of **15%** to **\$140.9 million** over 2016
- Checking account balances went up **11%** totaling **\$50.8 million**
- MemberSource posted a net income of **\$568,989**

As we continue into 2018, we want our members to utilize all of the services available to them to benefit from money-saving accounts such as low rate auto loans and credit cards and free checking. MemberSource is *the Source* for your financial solutions.

**Joe Hildenbrand, Treasurer**

Auto Loan Totals  
**\$84,728,366**

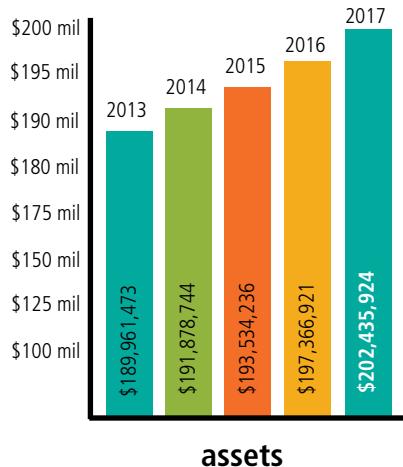
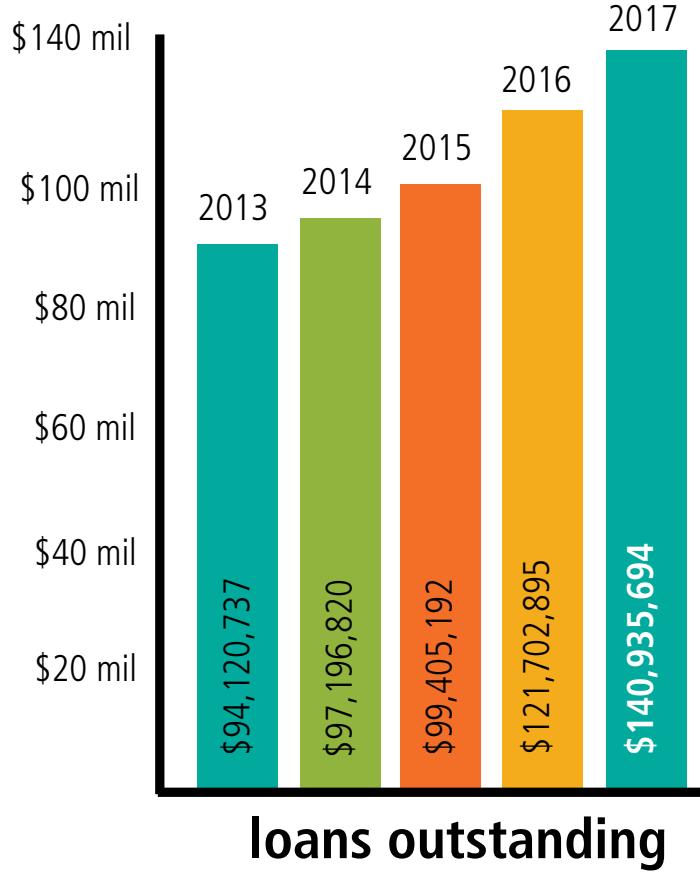
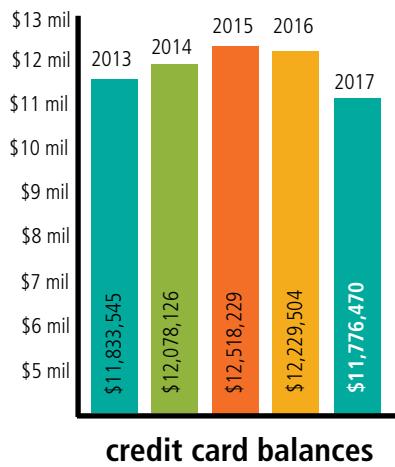
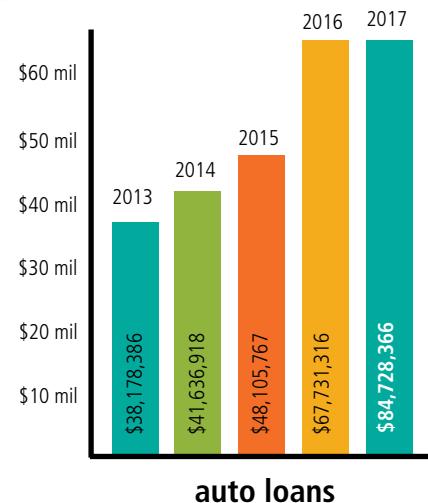
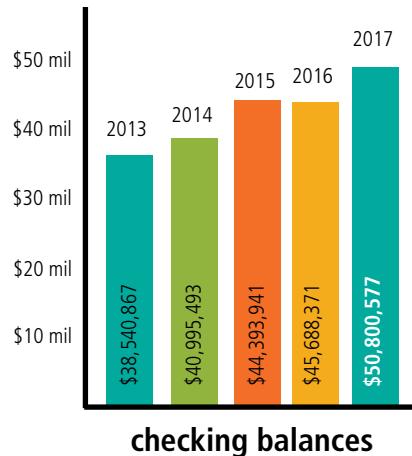
25% increase

Checking Balances  
**\$50,800,577**

11% increase

Loans Outstanding  
**\$140,935,694**

15% increase



# Credit Union Financials

**2017**

**2016**

## ASSETS

Loans to Members, net	\$ 140,039,789	\$ 121,702,895
Cash and Cash Equivalents	5,054,935	7,940,283
Investments (Available for Sale/Other)	46,637,621	57,095,006
Property and Equipment, net	6,393,937	6,597,478
Share Insurance Deposits	1,996,076	1,924,295
Other Assets	1,800,271	1,625,993
Accrued Interest Receivable	513,295	480,971
<b>TOTAL ASSETS</b>	<b>\$ 202,435,924</b>	<b>\$ 197,366,921</b>

## LIABILITIES & MEMBERS' EQUITY

Members' Shares	182,705,318	180,310,442
Accrued Expenses & Other Liabilities	3,617,648	1,436,653
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$16,112,958</b>	<b>\$15,619,826</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$202,435,924</b>	<b>\$197,366,921</b>

## INTEREST INCOME

Interest on Loans to Members	\$ 5,670,018	\$ 5,176,354
Interest on Investments and Cash Equivalents	818,026	974,727
<b>TOTAL INTEREST INCOME</b>	<b>\$ 6,488,044</b>	<b>\$ 6,151,081</b>

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

**\$ 341,054**

**\$ 333,864**

## TOTAL INTEREST EXPENSE

Net Interest Income	\$ 6,146,990	\$ 5,817,217
Provision for Loan Losses	825,037	796,333
<b>Net Interest Income After Provision for Loan Losses</b>	<b>\$5,321,953</b>	<b>\$5,020,884</b>

## NON-INTEREST INCOME

Service Charges and Other Fees	\$2,232,228	\$2,284,642
NCUSIF Non-Operating and Other Non-Interest Income	749,525	809,164
<b>TOTAL NON-INTEREST INCOME</b>	<b>\$ 2,981,753</b>	<b>\$ 3,093,806</b>

Income Before General and Administrative Expenses

\$ 8,303,706

\$ 8,114,690

## GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$ 4,024,889	\$ 3,970,872
Occupancy	724,348	720,367
Operations	2,985,480	3,107,047

**TOTAL GENERAL AND ADMINISTRATIVE EXPENSE**

\$ 7,734,717

\$ 7,798,286

**TOTAL NET INCOME**

\$ 568,989

\$ 316,404



## Member Impact

In August, a flood event of historic proportions hit Houston and the surrounding areas. Many cities were impacted greatly during this monumental storm. Hurricane Harvey and its devastating effects made a huge impact on our members - and MemberSource found ways to help.

Thankfully, none of the credit union branches received any damage. Due to the storm, MemberSource was closed or closed early for a total of four days. Once it was safe for employees to return, the staff worked as a team to make sure every function was covered. The team met before reopening and immediately began to seek out ways to provide financial relief for our members. The management team had made some preliminary decisions on what our members may need and came up with the following:

- A \$1000 personal loan for 12 months at 6% apr
- Loan extensions for 1 or 2 months on loans and credit cards with no fee
- Waived early withdrawal penalties of CDs
- Additionally, a sponsor company offered a special relief loan to their employees and MSCU financed these loans

Members were appreciative and took full advantage of these offers. At least 290 Harvey Relief Loans were made for almost \$283,000 in new loans. Nearly 850 loans received extensions for 1 or 2 months. Over \$1 million was funded in loans to the sponsor company employees as well. The staff worked extremely well as a team making sure what needed to be processed for the member was done as quickly and efficiently as possible. It was a time that none of us will soon forget and we were grateful to be a part of it.

## Community Impact

MemberSource Credit Union understands the benefits of being an active participant within the communities we serve and the importance of being a good steward with our financial resources. In 2017, we sponsored several events. Some of the highlights include:

- Donated door prizes to various organizations
- Provided calendars for member giveaways
- Donated Skeeters baseball tickets to multiple organizations
- Staff volunteered numerous times at a local food pantry
- Staff volunteered multiple times at the Fort Bend Senior Center
- Raised funds through Jeans Day pass purchases for Houston Children's Charities, Susan G. Komen, Cornerstone Credit Union Foundation and Texas Cornerstone Credit Union League Political Action Committee
- Hosted annual Blood Drive
- Participated in Houston Chapter of Credit Union Food Drive
- Sponsor of Colony Bend Elementary School
- Painted shoes to donate to Soles for Change
- Participated in Health Fairs for our Select Employee Groups

**116**  
volunteer  
hours



## Board of Directors / Management / Locations

### board of directors

**Richard Patton, Chairman**  
Term Expires 2020

**Ellen S. Tarver, Vice Chairman**  
Term Expires 2020

**Joe Hildenbrand, Treasurer**  
Term Expires 2019

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

**Gay Baskin, Member**  
Term Expires 2018

**Art Richardson, Member**  
Term Expires 2019

**Patrick Gibson, Member**  
Term Expires 2019

**David L. Berry, Member**  
Term Expires 2018

**Jeremy Smith, Member**  
Term Expires 2018

### 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  
1st Floor - Anadarko Building  
1201 Lake Robbins Dr  
The Woodlands, TX 77380

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

### management team

**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