

Annual Report



1958 - 2018

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.

Federally Insured by NCUA.





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2018 Annual Meeting Minutes

A meeting of the general membership of MemberSource Credit Union was held on Thursday, May 31, 2018, at 10100 Richmond Ave, Houston Texas 77042. Chairman Patton called the meeting to order at 5:02 pm. He then called on Director Peper to ascertain that a quorum of at least 25 members was present. Director Peper confirmed that there was a quorum.

Chairman Patton called for a reading of the minutes from the previous Annual Meeting on May 25, 2017. Director Berry made a motion to dispense with the reading of the minutes. Director Smith seconded the motion; motion carried. Director Baskin made a motion to approve the minutes of the 2017 Annual meeting as written. Director Peper 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
- Cheri Peper, Secretary
- Gay Baskin, Director
- David Berry, Director
- Patrick Gibson, Director
- Art Richardson, Director (unable to attend)
- Jeremy Smith, Director
- Leon Davis, CFO
- Kelly Brink, Chief Lending Officer
- Samuel Phelps, VP Information Technology
- Bobbi Phelps, VP Branch Operations
- Diana Fisher, VP Marketing
- Dana Forrest, Administrative Assistant

Chairman Patton presented the Chairman's report and Director Hildenbrand presented the Treasurer's report. Following the reports, Chairman Patton asked if there were any questions from the floor. M.C. Swearingen asked what does it mean to be "well capitalized". Mr. Harrington stated that capital is the equity within the credit union. Profits build up over time and build equity. The Regulators consider a credit union to be well-capitalized if the ratio (total equity in comparison to the total assets) of a credit union is 7% or above. MemberSource's capital ratio is above 8%.

Chairman Patton asked if there was any unfinished business from the 2017 Annual meeting. There was none. He then asked if there was any new business. Ms. Swearingen requested that the Board of Directors create a plan that would improve the credit union's grounds to slow down global warming. Ms. Swearingen also volunteered to create and serve on a committee that would make the grounds of the credit union more "environmentally friendly". Mr. Harrington noted that management has considered the possibility of replacing the grass on the islands located in the parking lot with ground cover; however, this was very costly. Chairman Patton requested that Ms. Swearingen submit a detailed proposal for the Board to consider, which includes the cost, time and materials needed to make the improvements.

Director Tarver presented the report from the Nominating Committee on behalf of Gary Wolf, John Smith and Scott Satterfield. 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 2017 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors.

- Gay Baskin, retired Devon Energy
- David Berry, Enbridge Energy
- Jeremy Smith, Anadarko Petroleum
- Patrick Gibson, Enbridge Energy

Chairman Patton 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. Director Peper seconded the motion; motion carried. Chairman Patton called for a motion to elect by acclamation the Nominees as presented by the Nominating Committee. Director Hildenbrand made a motion that the Nominees be elected by acclamation. Director Peper 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. Director Gibson 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**

\$41,470,332

18.44 % increase

**assets
year-end**

\$195,323,281



Chairwoman's and President's Report

When our credit union founders opened for business in 1958, they could not have known that 60 years later their venture would grow from just a few members with a little bit of money to **17,500** members with over **\$195.3 million** in assets. This accomplishment would not have been possible without the ongoing energy, optimism, commitment and belief in our credit union as a cooperative.

It is through the commitment of our directors for their responsible stewardship of our principles, our dedicated employees for embracing our values, goals and member service, and our loyal members who appreciate the role MemberSource Credit Union plays in their financial lives. Because of how we've all worked together, this credit union is stable, secure and growing.

The financial information posted in this Annual Report details the numerous ways in which MemberSource Credit Union performed well in 2018. Members opened certificates which increased CD balances **11.6%** over 2017. When we see people putting money away for the future, we know they trust us to keep their money safe long term. Some of the other highlights from this report include:

- Members have borrowed more than **\$37.9 million** which added **2475** new loans in 2018 and total loans outstanding have increased **9.7%**.
- Mortgage loans had the highest growth in 2018. We experienced an **18.44%** increase for a total of **\$41.47 million** in real estate loans.
- Members came to us to fill their auto loan needs and we ended 2018 booking nearly **\$93 million** - a steady growth of **9.7%**.
- MemberSource continues to experience a low delinquency ratio of just **0.64%**.

Community involvement is just one of the things that make credit unions different from other financial institutions. See the section regarding Member Impact and Community Impact to get an insight of the "extra" things that your credit union does outside of everyday activities and normal business operations.

Because of the cooperative business model credit unions have, we're able to return profits to our members in the form of competitive rates, new products, enhanced services and additional points of service to make it easier to reach your financial objectives. Some of our service objectives include:

- Serving our community where we can make the biggest impact
- Committing to being a knowledge center that allows our members to access educational information about budgeting, retiring, buying and saving
- Offering more resources to ensure our members are using the safest, secure and convenient technology available
- Helping our members by meeting their financial needs in a responsible way

In 2019, my commitment to you is that MemberSource Credit Union will continue to grow responsibly while listening and responding to your needs. We will continue to explore and implement innovative product and service solutions to enhance your financial life, and we'll develop our staff and board so they can wisely and confidently serve your interests.

Our member-owners are integral to our credit union family, and we are sincerely grateful that you've chosen MemberSource Credit Union as your financial partner. We enthusiastically look forward to being your financial services provider in 2019.

Ellen S. Tarver, Board Chairwoman

Kenny Harrington, President/CEO



**credit
cards**

\$11,039,709

**CD
balances**

\$22,533,956

11.16% increase

**auto
loans**

\$92,982,836

9.7% increase

2018
Gross Loan Dollars

Treasurer's Report

Credit Unions across the country, including MemberSource, did extremely well in 2018. Texas has 461 credit unions with more than 8.8 million members with total assets of \$79 billion. These figures reflect a robust and healthy credit union system, of which MemberSource is a key part.

I'm pleased to report that again this year, MemberSource Credit Union is well-capitalized with a strong net worth ratio of **8.51%**. To put that in perspective, a net worth position above 7% is considered well-capitalized by our regulators.

The financial data throughout this report illustrates that our credit union is in a strong financial position and is continuing at a healthy, steady pace. When members trust their personal finances to our credit union, and use the products and services available to them, it indicates their confidence in our credit union and that they are loyal member-owners.

MemberSource strives to be the primary financial institution our members turn to for their financial needs. We make sure we're offering our members the latest and greatest products, services and conveniences our industry has to offer. Additionally, MSCU management balances loan and deposit rates, fees, expenses, salaries and more to be financially successful. The results are shown on the 2018 Credit Union Financials page.

A strengthening economy and a strong auto loan market motivated many members to finance vehicles with us. MemberSource closed out 2018 with **4950** auto loans worth nearly **\$93 million** which equalled a 9.7% increase.

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

- Real Estate loan balances grew **18.44%** to **\$41.4 million**
- Loans outstanding experienced growth increasing to **\$154.7 million** over 2018
- Checking account balances remained steady totaling **\$47.5 million**
- Credit card balances remained steady at over **\$11 million**

As we continue into 2019, we know that with the commitment of our dedicated staff and support and loyalty of our members, we can look optimistically into the future. MemberSource Credit Union is well positioned to face any challenge and seize any opportunity that presents itself.

Joe Hildenbrand, Treasurer



Checking Balances

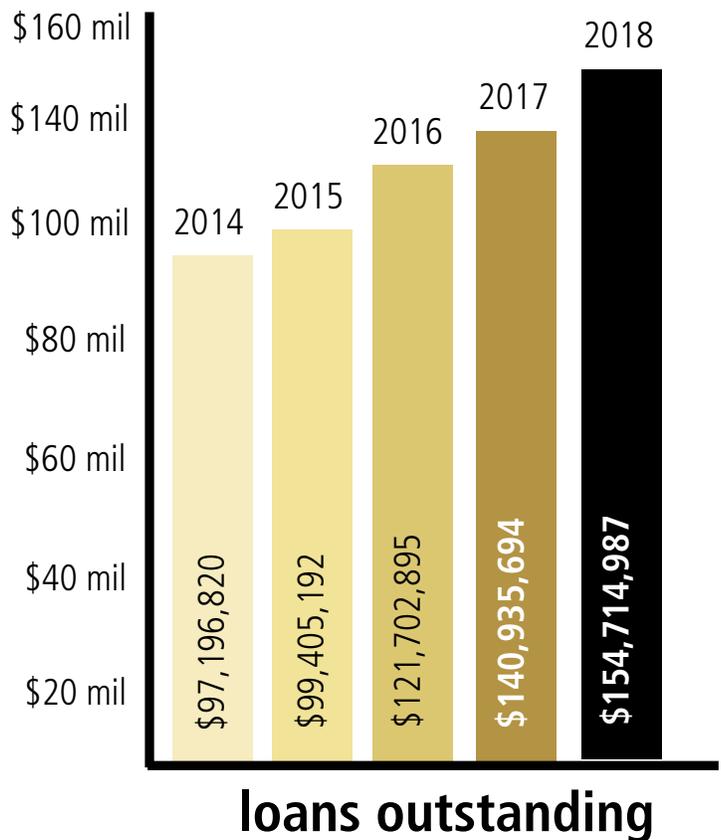
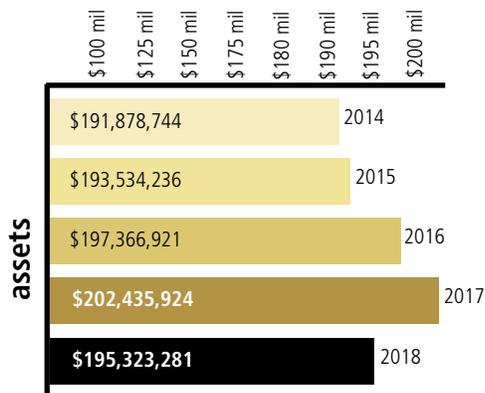
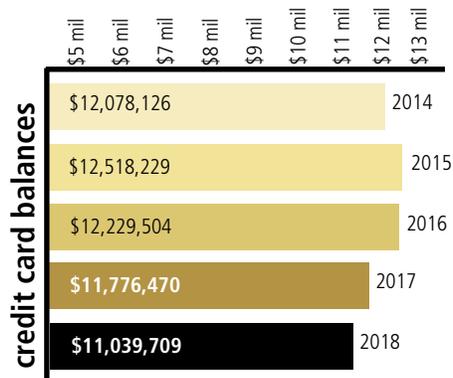
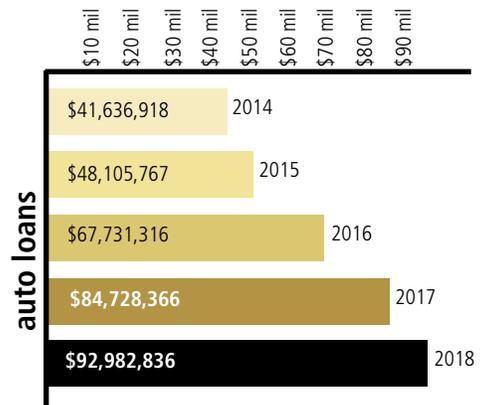
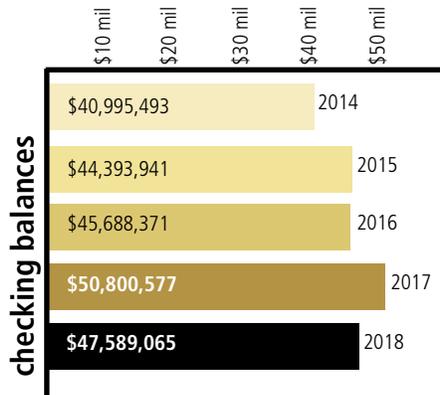
\$47,589,065

Auto Loan Totals

\$92,982,836

Loans Outstanding

\$154,714,987



Credit Union Financials

2018

2017

ASSETS

Loans to Members, net	\$ 153,794,013	\$ 140,039,789
Cash and Cash Equivalents	7,293,749	5,054,935
Investments (Available for Sale/Other)	24,844,051	46,637,621
Property and Equipment, net	6,282,022	6,393,937
Share Insurance Deposits	1,693,644	1,996,076
Other Assets	898,145	1,800,271
Accrued Interest Receivable	517,657	513,295
TOTAL ASSETS	\$ 195,323,281	\$ 202,435,924

LIABILITIES & MEMBERS' EQUITY

Members' Shares	177,762,446	182,705,318
Accrued Expenses & Other Liabilities	1,029,756	3,617,648
TOTAL MEMBERS' EQUITY	\$16,531,079	\$16,112,958
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$195,323,281	\$202,435,924

INTEREST INCOME

Interest on Loans to Members	\$ 6,346,614	\$ 5,670,018
Interest on Investments and Cash Equivalents	706,783	818,026
TOTAL INTEREST INCOME	\$ 7,053,397	\$ 6,488,044

INTEREST EXPENSE (Dividends on Members' Shares plus Interest on Borrowed Funds)	\$ 450,483	\$ 341,054
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TOTAL INTEREST EXPENSE

Net Interest Income	\$ 6,602,914	\$ 6,146,990
Provision for Loan Losses	1,286,645	825,037
Net Interest Income After Provision for Loan Losses	\$5,316,269	\$5,321,953

NON-INTEREST INCOME

Service Charges and Other Fees	\$2,207,644	\$2,232,228
NCUSIF Non-Operating and Other Non-Interest Income	855,768	749,525

TOTAL NON-INTEREST INCOME	\$ 3,063,412	\$ 2,981,753
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Income Before General and Administrative Expenses	\$ 8,379,681	\$ 8,303,706
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GENERAL ADMINISTRATIVE EXPENSES

Salaries and Benefits	\$ 4,183,010	\$ 4,024,889
Occupancy	758,374	724,348
Operations	3,019,854	2,985,480

TOTAL GENERAL AND ADMINISTRATIVE EXPENSE	\$7,961,238	\$7,734,717
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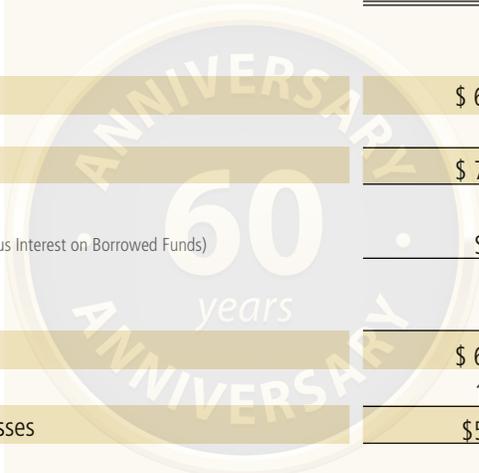
NET INCOME	\$ 418,443	\$ 568,989
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Other Comprehensive Income: Net Change in Unrealized Gains (Losses) on Available-for-Sale Investments	(15,467)	
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TOTAL COMPREHENSIVE INCOME	\$ 402,976	\$ 568,989
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STATEMENT OF FINANCIAL CONDITION

STATEMENT OF INCOME





Member Impact

During 2018, MemberSource Credit Union offered members many options to improve their financial well-being. These services saved members money, provided new car-buying options, protected credit card transactions and made free financial education available.

Savings programs:

- Allpoint (free nationwide ATM network)
- TurboTax
- Sprint

Car-buying partnerships:

- Carvana
- Enterprise

Card transaction protection:

- CardValet
- Transaction alerts

Financial Education:

- Balance (free online education for members)

MemberSource launched a new website in August which featured greater accessibility and a fresh, clean, updated look. In October, MSCU introduced STRIDE loans. These loans give members an opportunity to finance an auto even with previous credit issues.

Community Impact

MemberSource Credit Union feels it is important to contribute to our community and serve when and where possible. During 2018, our staff participated in several volunteer efforts and in various community events. Some of the highlights include:

- Donated door prizes to various organizations
- Provided calendars for member giveaways
- Donated Skeeters baseball tickets to multiple organizations
- Staffed a booth at Skeeters games promoting MSCU
- Staff volunteered at West Houston Assistance Ministries working in the Food Pantry, during Thanksgiving and Christmas Dinner distributions, and Christmas Toy distribution
- Staff volunteered at the Houston Food Bank
- 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
- Participated in Houston Chapter of Credit Unions Food Drive
- Participated in Houston Chapter of Credit Unions Toy Drive
- Participated in Health Fairs for our Select Employee Groups
- Vote4Miracles Campaign
- Hosted annual Blood Drive





Board of Directors / Management / Locations

board
of directors

Ellen S. Tarver, Chairwoman
Term Expires 2020

Jeremy Smith, Vice Chairman
Term Expires 2021

Joe Hildenbrand, Treasurer
Term Expires 2019

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 2019

Richard Patton, Member
Term Expires 2020

Art Richardson, Member
Term Expires 2019

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
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