



LOOKING
AT OUR PAST,
FOCUSING
ON OUR
FUTURE.

ANNUAL REPORT

20 23

Looking back at THE MINUTES



A meeting of the general membership of MemberSource Credit Union was held on Thursday, May 25, 2023, at 10100 Richmond Ave, Houston, Texas 77042. Chairman Smith called the meeting to order at 5:13 p.m. Chairman Smith called on Director Peper to ascertain that a quorum of at least 25 members were in attendance. Director Peper confirmed that there was a quorum.

Chairman Smith called for a reading of the minutes from the previous Annual Meeting on May 26, 2022. Director Tarver made a motion to dispense with a reading of the minutes. Director Peper seconded the motion; motion carried. Director Corvin made a motion to approve the minutes of the 2022 Annual meeting as written. Sarah Livingston seconded the motion; motion carried.

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

- Jeremy Smith, Chairman
- Patrick Gibson, Vice Chairman (unable to attend)
- Joe Hildenbrand, Treasurer (unable to attend)
- Cheri Peper, Secretary
- Gay Baskin, Director
- David Berry, Director (unable to attend)
- Eddie Corvin, Director
- Ellen Tarver, Director
- Leon Davis, CFO
- Kelly Brink, Chief Lending Officer
- Samuel Phelps, Vice President, Information Technology
- Bobbi Phelps, Vice President, Branch Operations
- Diana Fisher, Vice President, Marketing
- Dana Forrest, Administrative Assistant

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

Chairman Smith asked if there were any questions from the floor. There was none. Chairman Smith asked if there was any unfinished business from the 2022 Annual Meeting. There was none. He then asked if there was any new business. There was none.

Director Baskin presented the report from the Nominating Committee. Gay Baskin, Pat Gibson and Joe Hildenbrand 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 2022 statement, the Nominating Committee submitted the following members to be elected to the MemberSource Board of Directors:

- Eddie Corvin
- Cheri Peper
- Ellen Tarver

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

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

There being no further business, Chairman Smith adjourned the meeting at 5:35 p.m.

Chairman Smith thanked everyone for attending and invited the attendees to join us for refreshments.





CHAIRMAN AND PRESIDENT'S REPORT

We all know credit unions are different than other financial institutions. As our members, you are equal owners, and we are accountable to you.

Looking at the Financial Landscape

Since the pandemic, members have recognized and valued their trusted credit unions even more. As the financial landscape continues to shift in a post-COVID world, MemberSource Credit Union works diligently to provide the best value and experience for our members. While we've seen some improvements to the economy, challenges remain and have caused the financial industry to develop more innovative and efficient processes. For example, we've worked to:

- Develop more online banking tools
- Expand account options and offer new products
- Keep robust cybersecurity measures in place

Looking at Online Banking Tools

After the pandemic, the move away from onsite service challenged us to create an experience that still feels personal while being easier to access and quicker to use. More and more members prefer to bank online with websites and apps that are easy to navigate, even for our less tech-savvy members. MemberSource CU has worked to offer user-friendly, online options with the same personal touch you deserve. Included in this Annual Report, we've shown how engaged our members are with our online and mobile banking products. Between January and December, online banking and mobile banking enrollment increased 5.1% and 10% respectively and active Bill Pay users increased 15.5%. Since the implementation of our new mobile Card Management System last March, active users have increased over 89%. Zelle® users are up 40% and SavvyMoney adoption rates have increased 142.5% since January. Lastly, members now have the option to open an account online. In 2023, we opened an average of 50 accounts per month using this convenient channel.

Expanded Account Options/New Products

More and more people are interested in going beyond the basics of simple checking accounts. In 2023, we restructured our checking account lineup giving members an option of a basic checking account with ReSource Checking which can still be free when certain criteria is easily met or, when not met, a small \$2 monthly fee. The other option is our value-added checking account with a minimal monthly fee with our Emerald Checking or Emerald+ Checking that pays dividends with a minimum balance. Both include extensive money-saving options that benefit account owners.

Cybersecurity Measures

Along with the convenience technology brings, we must remain aware of the risks that come with it. We've taken steps to safeguard your assets, your data and your privacy by implementing software to monitor sensitive data as well as a password vault to prevent data breaches and an end-point protection software platform for our entire network.

MemberSource CU is focused on meeting the challenges of our current economy head-on while embracing digital technologies and transforming into a modern and flexible business that serves our members and our community.

As our member-owners, you are integral to our credit union membership, and we are sincerely grateful that you've chosen us as your financial partner. We look forward to being your Source for all of your financial needs.

Jeremy Smith | Chairman

Kenny Harrington | President/CEO





TREASURER'S REPORT

In 2023, credit unions continued to adapt to an ever-changing financial landscape. We experienced an uncertain economy with rising food, energy, and gas costs as well as climbing interest rates.

A Year in Review

Although it was a year of adjustment and adapting to outside factors, MemberSource CU experienced many highlights. Some of those include:

- Term Share CDs increased 4.5%
- Credit Card balances increased 3.2%
- 2nd mortgage loan balances reached \$10.7 million, up 7.2%
- Used auto loans reached nearly \$22 million, an increase of 9.46%
- Student Loans were up 7.5% over 2022
- The number of personal loans increased by 7.9%
- Delinquency remained very low at .37%
- 1521 loans were made totaling \$29,780,675

MemberSource continues to be a well-capitalized financial institution with a strong net worth ratio of 11.16%. A ratio above 7% is considered well-capitalized by our regulators.

Looking at the Financial Landscape

We are committed to continuing to change with the financial landscape receiving and implementing feedback and helping our members make the best financial decisions for their circumstances.

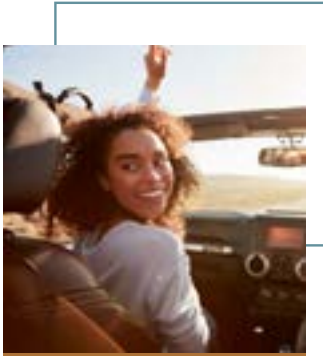
In the interest of full transparency, we also want to mention some of the challenges the credit union has faced that have affected our bottom line. A lack of sufficient liquidity led us to temporarily halt Indirect Lending which impacted our membership and loan numbers, as well as income. Additionally, new federal guidelines for calculating anticipated loan losses was implemented in January of 2023, which greatly impacted net income. While these issues are concerning, we are focused on the future and feel confident we are on the road to a more positive financial position in 2024.

We look forward to opportunities to serve our members' financial needs and demonstrate our value proposition to them.

Joe Hildenbrand | Treasurer



Looking back at THE NUMBERS



used auto
loan balances

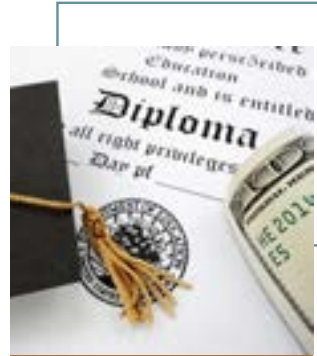
\$21.97m

up 9.46%



number of
members

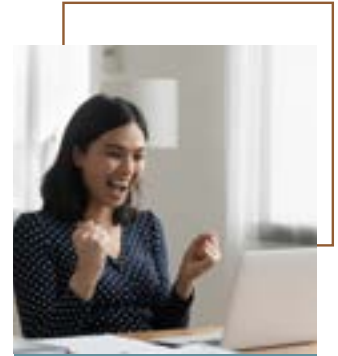
15,223



education
loan balances

\$4.04m

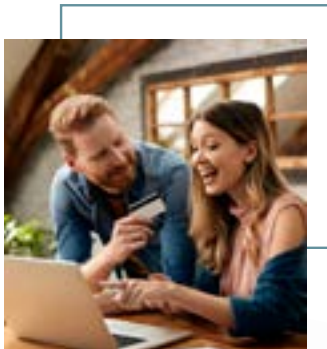
up 7.5%



term share
certificate balances

\$31.49m

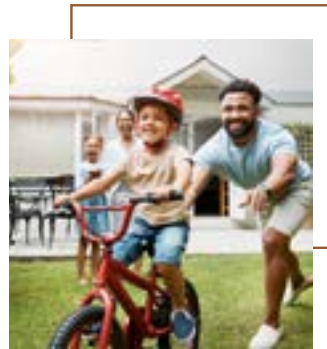
up 4.5%



credit card
balances

\$8.96m

up 3.2%



2nd mortgage
loan balances

\$10.73m

up 7.2%



Looking back at ENGAGEMENT



online banking
users

16,555



billpayer
users

11,783



e-statement
enrollment

9,381



mobile banking
users

8,757

zelle

Zelle®
active users

936

powered by
savvymoney

SavvyMoney
enrollment

3,388



Looking back at THE FINANCIALS



statement of financial condition

	2023	2022
ASSETS		
Loans to Members, net	\$151,273,261.54	\$166,676,699.20
Accounts Receivable	73,420.91	280,084.92
Cash on Hand and in Banks	1,089,827.35	1,048,727.80
Investments	29,899,697.29	37,259,373.71
Prepaid and Deferred Expenses	447,903.14	340,622.45
Fixed Assets (net)	5,672,844.16	5,904,231.96
Accrued Income	524,165.50	545,664.33
Share Insurance Deposit	1,848,709.03	1,793,701.59
Other Assets	5,332,271.28	5,492,349.00
Total Assets	\$196,162,100.20	\$219,341,454.96
LIABILITIES & MEMBERS' EQUITY		
Accounts Payable	\$1,392,753.65	\$778,885.78
Notes Payable	1,000,000.00	0.00
Dividends Payable	126,359.63	54,518.63
Taxes Payable	0.00	0.00
Accrued Expenses	528,319.83	604,026.01
Other Liabilities	12,473.60	12,950.05
Total Liabilities	3,059,906.71	1,450,380.47
All Share Accounts	172,966,146.35	198,105,807.14
Regular Reserve	4,223,389.82	4,223,389.82
Equity Acquired in Merger	2,690,587.98	2,690,587.98
Undivided Earnings	14,977,060.75	15,485,783.96
Special Reserves	(1,754,991.41)	(2,614,494.41)
Current Earnings	0.00	0.00
Total Equity	193,102,193.49	217,891,074.49
Total Liabilities and Equity	\$196,162,100.20	\$219,341,454.96





statement of income

2023

2022

INTEREST INCOME		
Interest on Loans to Members	\$7,035,521.06	\$6,088,957.29
Income from Investments	452,414.51	520,481.25
Total Interest Income	7,487,935.57	6,609,438.54
INTEREST EXPENSE (Dividends on Members' Shares plus Interest on Borrowed Funds)	1,475,873.73	430,681.05
Total Interest Expense	1,475,873.73	430,681.05
Net Interest Income	6,012,061.84	6,178,757.49
PROVISION FOR LOAN LOSSES EXPENSE	548,391.60	254,054.20
FEES, CHARGES AND OTHER OPERATING INCOME	2,503,245.35	2,847,274.82
Total Operating Income	7,966,915.59	8,771,978.11
Total Operating Expense	8,327,217.88	8,180,831.30
Net Operating Income	(360,302.29)	591,146.81
NON-OPERATING INCOME		
Gain (Loss) on Investments	0.00	0.00
Gain (Loss) on Disposition of Assets	0.00	0.00
Other Non-Operating Income (Expense)	0.00	0.00
Total Non-Operating income	0.00	0.00
NET INCOME (LOSS)	<u><u>\$(360,302.29)</u></u>	<u><u>\$591,146.81</u></u>





FOCUSING ON OUR MEMBERS AND COMMUNITY

A primary focus for MemberSource Credit Union is to look for financial products and services that benefit our members. Whether it's updating to new technology, restructuring current account options, or implementing a brand new product, MSCU is always looking for ways to improve our financial lineup. Here are some of the projects we worked on in 2023:

- Introduced Zelle®
- Restructured checking account options and created Emerald and Emerald+ Checking accounts
- Implemented SavvyMoney in online banking suite
- Added new Card Management System for mobile banking
- Conducted a Member Survey with 95% responding as satisfied or extremely satisfied
- Activated Skip a Pay portal with paperless, convenient option to skip member's month of choice instead of only specific time periods
- Upgraded text message communication tool
- Added self-service TruStage member claims portal to website
- Created Social Media accounts as additional channel to communicate with members and the general public

This past year, MSCU staff looked for ways to benefit the communities we serve. Our staff participated in raising funds during the year for our industry's Cornerstone CU League PAC and Foundation efforts through payroll deduction. Those that contributed received pins as acknowledgement which adorn their workstation name plates.

In May, MSCU held our annual Cinco de Mayo Salsa and Queso contest, where funds were raised and donated to the Houston Food Bank. In August, the Food Bank was also the recipient of funds and hundreds of pounds of food collected when staff competed in teams to build "homes" with donated food items. In October, employees raised funds benefiting Susan G. Komen.





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.

MISSION STATEMENT

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

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

VISION STATEMENT

BOARD OF DIRECTORS

Jeremy Smith, Chair
Term Expires 2024

Cheri L. Peper, Secretary
Term Expires 2026

Ellen S. Tarver, Member
Term Expires 2026

Patrick Gibson, Vice Chair
Term Expires 2025

Gay Baskin, Member
Term Expires 2024

Cassie Chiaro, Member
Term Expires 2025

Joe Hildenbrand, Treasurer
Term Expires 2025

Eddie Corvin, Member
Term Expires 2026

MANAGEMENT TEAM

Kenny Harrington
President/CEO

Diana Fisher
VP Marketing

Cody Jones
VP Lending

Bobbi Phelps
VP Branch Operations

Samuel Phelps
VP Information Technology

Elvin Tejada
VP Accounting

