

# ANNUAL REPORT 2014

**SPACE CITY**  
CREDIT UNION

**50** YEARS  
1965-2015

"YOUR FINANCIAL  
DESTINATION"



## TABLE OF CONTENTS

President’s Report .....	3
Chairman’s Report .....	3
Treasurer’s Report .....	4
Statement of Financial Condition.....	5
Statement of Income.....	5
Credit Committee Report .....	6
Audit Committee Report .....	7
Space City CU 49th Annual Meeting Minutes .....	8

## PRESIDENT'S REPORT

On behalf of Space City Credit Union, we are honored to celebrate our 50th year of serving the membership. Because of your trust and involvement, your credit union is able to thrive and provide so many important benefits, not only to our members but to our community. As a financial cooperative, our success is your success. When you participate in the credit union, you are contributing to its growth. And because of our cooperative structure, we are able to return our profits back to you, the owners and members, by offering competitive rates, new products, and enhanced services.

Just as you are committed to Space City Credit Union, we are committed to you. The following are but a few new product implementations from 2014 that demonstrate this:

- Web Signatures – Capture electronic signatures for new account and loan documents.
- New Lending Platform “Loancierge” – Upgraded lending platform.
- Mobile Deposit Capture – Deposit checks right from our mobile app!
- New Website/Social Media Strategy – New modern website and increased social media presence.
- Design IT Photocard – Upload custom photos to your Space City MasterCard.
- Members Private Sale – Online auto marketplace for Credit Union members.

We have a team of talented professionals who report to work every single day with one mission: to go above and beyond your expectations. Our accomplishments would not have been possible without the heartfelt commitment and unified effort of our dedicated credit union staff, volunteers, board of directors, and committees. Their passion is truly inspiring, and I am continuously moved by their steadfast desire to serve the credit union movement. We also have a highly capable volunteer board of directors who share their expertise and knowledge to guide this organization toward continued success. On behalf of the entire Credit Union staff, I would like to thank our members for their continued business. We will continue to strive to bring world class products and service to you all.

Thank You,  
Craig Rohden, President/CEO

---

## CHAIRMAN'S REPORT

I am proud of and humbled by the level of trust you have placed in me and my fellow board members. In fact, I'd like to take this opportunity to thank my fellow board members for their dedicated service, commitment, and passion, because they have contributed greatly to the success of Space City Credit Union.

Let me begin by saying that 2014 was a significant year, not just for our credit union but also for our state and the nation. In addition to the headline-grabbing midterm elections, the credit union movement weathered another round of banker attacks on our credit union tax exemption, cyber security became an even higher-profile matter, and regulatory issues like risk-based capital continued to be hot-button topics that demanded we devote some of our time and resources to advocating with our lawmakers on behalf of credit unions.

As a locally owned and governed financial institution, Space City Credit Union has a strong connection to the community, and we are well positioned to support Houston's growing demand for a financial institution that cares about its community's financial future. My friends, with the continued success of Space City Credit Union, we can offer a wealth of savings tools and other financial products and services that enhance your life, improve our delivery channels, and expand our

## CHAIRMAN'S REPORT (CONTINUED)

outreach in the community and beyond.

In closing, let me express my confidence in the leadership of our CEO, Craig Rohden, the guidance of our esteemed board of directors, the commitment of a dedicated staff, and the support and loyalty of our 8,200 members. And let me also assure you that Space City Credit Union is well positioned to face any challenge and seize any opportunity that presents itself in 2015. Please let me know if there is anything I or any of my fellow board members (below) can do to assist you.

Craig Rohden	President/CEO/Director
Mick Lay	Chairman
Steve Hines	Vice Chairman
Judy Langford	Secretary
Jack Patton	Assistant Secretary
Jerry Garcia	Treasurer
Buddy Holcombe	Director
Byron Hodges	Director
Robert Sander	Director
Matt Hayslip	Audit Committee
Philip Ringer	Audit Committee

Sincerely,  
Mick Lay, Chairman

---

## TREASURER'S REPORT

In 2014, Space City Credit Union implemented more products and services that continue to make our product offering among the most attractive in our market area. We were able to expand our ability to service our membership all while keeping operating expenses at bay. This savings allowed the credit union to return more to our members while also building capital. The Credit Union earned \$615,000 in 2014 in net income after expenses, which added to the credit union's net worth to increase our financial stability and prepare for future growth. We continue to be optimistic and committed about the growth of our financial cooperative, and I thank you, all our members, for having the confidence in the individuals who help drive the success of your credit union.

Thank you for your membership.

Sincerely,  
Jerry Garcia, Treasurer

STATEMENT OF FINANCIAL CONDITION		
For Period Ending December 31, 2014		
	2014	2013
<b>ASSETS</b>		
Loans	\$54,763,372	\$47,204,021
Allowance for Loan Loss	(\$245,781)	(\$179,582)
Net Loans	\$54,517,591	\$47,024,439
Cash	\$728,436	\$951,936
Investment	\$8,023,668	\$11,133,016
Fixed Assets	\$1,426,952	\$1,169,206
Other Assets	\$3,969,182	\$4,314,079
Total Assets	\$68,665,829	\$64,592,676
<b>LIABILITIES</b>		
Notes Payable	\$2,055,733	\$0
Accounts Payable	\$1,633,401	\$1,063,461
Other Liabilities	\$139,113	\$174,950
Total Liabilities	\$3,828,247	\$1,238,411
<b>SAVINGS</b>		
Shares	\$58,946,243	\$58,077,751
<b>EQUITY</b>		
Regular Reserves	\$472,173	\$472,173
Undivided Earnings	\$3,422,671	\$2,807,846
Equity Acquired from Merger	\$1,996,495	\$1,996,495
Total Liabilities & Equity	\$68,665,829	\$64,592,676

STATEMENT OF INCOME		
For Period Ending December 31, 2014		
	2014	2013
<b>INCOME</b>		
Loans	\$3,115,225	\$3,152,928
Investments	\$49,552	\$54,194
Other	\$1,469,575	\$1,273,742
Total Income	\$4,634,793	\$4,480,864
<b>EXPENSES</b>		
Non Operating Income/Expense	\$0	\$46,937
Income Before Dividends	\$4,634,793	\$4,527,801
Less: Dividends	\$406,794	\$443,273
Interest on Borrowed Funds	\$3,040	\$27
<b>EXPENSES</b>		
Employee Compensation	\$1,458,664	\$1,392,787
Office Operations	\$908,697	\$946,014
Provision for Loan Losses	\$342,745	\$253,514
Operating Expenses	\$900,028	\$913,066
<b>NET INCOME</b>		
	\$614,825	\$579,120
<b>ALLOCATION OF NET INCOME</b>		
To Regular Reserves	\$0	\$0
To Undivided Earnings	\$614,825	\$579,120

## CREDIT COMMITTEE REPORT

Thanks to our low rates and efficient service, loan demand remained strong throughout the year. The implementation of a new lending platform and electronic signatures made our loan process faster and more convenience than ever. In the year 2014, Space City CU's loan department approved 3,528 loans for more than 30.3 million dollars, making for another record-breaking year in lending. Our delinquencies remain low at 0.47%, and this tells me that you value the competitive rates we're able to offer and that you have a strong commitment to honoring your financial obligations with your credit union. Thank you for your trust and commitment to your Credit Union.

Below you will find a consolidated statement for your review.

Thank you,

Steve Hines  
Chairman, Credit Committee

2014 LOANS			
LOAN TYPE	# LOANS	AMOUNT	PERCENTAGE
New Autos	275	\$ 9,012,577	28%
Used Autos	646	\$13,066,958	40%
Signature	659	\$ 2,491,930	8%
HE/Real Estate	2	\$ 219,800	1%
Other Secured	182	\$ 2,768,228	8%
MasterCard Advances	-	\$ 4,313,911	13%
Loan Add On	-	\$ 770,270	2%
Subtract Refinanced Amounts	-	(\$2,293,458)	-
<b>TOTAL</b>	<b>1,764</b>	<b>\$30,350,216</b>	

## AUDIT COMMITTEE REPORT

The Audit Committee is a standing committee on the Space City Credit Union board, and is appointed by the Board of Directors. The audit committee's primary responsibility is to assist the board in fulfilling its statutory and fiduciary responsibilities.

The role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for (1) the integrity of the Credit Union's financial statements; (2) the Credit Union's compliance with legal and regulatory requirements; (3) the independent auditor's qualifications and independence; and (4) the performance of the Credit Union's internal audit function and independent auditors.

The Texas Credit Union Department examines Space City CU annually, and the Audit Committee contracts the services of Credit Union Resources, Inc. to conduct an internal audit. We are proud to report that our financial statements accurately portray the net worth of the credit union. The books and records, loan portfolio, and other administrative areas are accurately maintained. The Audit Committee is dedicated to ensuring that these beliefs are well founded. The committee welcomes all comments and suggestions from our members. You are invited to use the following confidential address: Space City CU Audit Committee, P.O. Box 2626, Houston, TX 77252-2629.

Sincerely,  
Jack Patton, Matt Hayslip, Philip Ringer

## SPACE CITY CREDIT UNION 49th ANNUAL MEETING MINUTES APRIL 23, 2014

THE 49TH ANNUAL MEETING OF THE SPACE CITY CREDIT UNION WAS HELD ON APRIL 23, 2014 AT THE SPACE CITY CREDIT UNION CONFERENCE ROOM ON HARRISBURG BLVD. THE ACTUAL MEETING WAS CALLED TO ORDER BY THE CHAIRMAN, MICK LAY AT 11:00 AM UPON DETERMINATION OF AT LEAST 25 PRIMARY MEMBERS FOR A QUORUM.

### THE FOLLOWING DIRECTORS WERE PRESENT:

Mick Lay	Buddy Holcombe
Judy Langford	Craig Rohden (President/CEO)
Jack Patton	Steve Hines
Byron Hodges	Mark Heitker
Jerry Garcia	Bob Sander
Nikki Moore (Executive Vice President)	

Matt Hayslip and Philip Ringer represented the Audit Committee.

Absent and excused were Steve Hines and Mike Proctor.

### INTRODUCTION OF OFFICIALS

Craig Rohden (President/Manager) introduced the Board of Directors and the staff to the members and thanked all for coming to the Annual Meeting. He stated it was the 49th year of serving the members and we were grateful to be their financial institution of choice. He stated the current success of the Credit Union is a direct result of hard work and dedication of the staff and Board to the membership.

### MINUTES

A motion was made Jerry Garcia and a second by Byron Hodges to accept the minutes of the 2013 Annual meeting as written in the agenda handed out to each member. The motion passed by acclamation.

### REPORT OF THE BOARD OF DIRECTORS (given by Mick Lay)

It gives me great pleasure in welcoming you to the 49th annual meeting of Space City Credit Union. I am truly humbled by the level of trust you have in me and my fellow board members, and I can assure you, it isn't taken for granted. I would also like to thank my fellow board members for their dedicated service, commitment, and passion. They have contributed greatly to the success of Space City Credit Union.

Your participation in Space City Credit Union means we are in a strong financial position to continue meeting your lending needs, offer a wealth of savings tools and other essential financial products and services to enhance your life, improve our delivery channels, and expand our outreach.

Before I conclude my address, I wanted to talk briefly about what it means to be a financial cooperative. I am often asked how credit unions differ from banks. Obviously, like a bank, we have to make a profit to keep the doors open. But the difference is what we don't do with those profits. Unlike a bank, we don't have shareholders. The board of directors are volunteers elected by you, so there are no shareholders to pay.

As a financial cooperative, Space City Credit Union is guided by seven principles:

1. Voluntary and Open Membership
2. Democratic Member Control
3. Members' Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

I take great pride in that fact that I participate in a financial cooperative and I hope you do as well.

#### REPORT OF THE TREASURER (given by Craig Rohden on behalf of Jerry Garcia)

As we embark on 2014, Space City Credit Union is performing from a position of financial strength. Although the credit union continues to operate in challenging economic times, we have remained focused on providing service and innovative products to our membership, resulting in a sound financial position. In addition, Space City Credit Union is pleased to report growth in many major areas. We ended 2013 with assets of \$64,592,676, an increase of 7.35% from 2012, and total member deposits were \$58,077,751. I would like to personally thank each member for continuing your support of Space City Credit Union and for taking advantage of the great products and services we offer. The Board of Directors, along with the staff look forward to helping you meet all of your financial goals.

#### REPORT OF THE AUDIT COMMITTEE (given by Jack Patton)

The Audit Committee is a group of volunteers appointed by the Board of Directors, and is primarily responsible for overseeing the overall safety and soundness of Space City Credit Union. We serve as the auditing body; ensuring that Space City CU complies with all applicable laws and regulations and acts in the best interest of the Credit Union's member-owners.

Each year, our committee reaffirms our commitment to ensuring that our member-owned credit union is financially stable and maintains the highest standards possible. The Texas Credit Union Department examines Space City CU annually, and the Audit Committee contracts the services of Credit Union Resources, Inc. to conduct an internal audit. The results of both audits found that: internal controls were established and effectively maintained to achieve the credit union's financial reporting objectives; (ii) the credit union's accounting records and financial reports are promptly prepared and accurately reflect the operations and results; and (iii) the relevant plans, policies, and procedures established by the board of directors are properly administered. Once again, we are proud to report that the assets held by Space City Credit Union are safe and secure. Furthermore, our review concludes that Space City Credit Union is in compliance with federal regulations and standards provided by the National Credit Union Administration.

The committee welcomes all comments and suggestions from our members. You are invited to use the following confidential address: Space City CU Audit Committee, 10330 Highway 6 Site D, PMB 122, Missouri City, TX 77459.

## REPORT OF THE CREDIT COMMITTEE (given Craig Rohden in absence of Steve Hines)

Our lending department worked efficiently and diligently in 2013 to ensure that loans were serviced and funded quickly and efficiently. (In the year 2013, Space City CU's loan department approved 1,717 loans for more than 28 million dollars) – a record breaking year! Below you will find a consolidated statement for your review.

## OLD BUSINESS

There was no unfinished or old business to be discussed.

## NEW BUSINESS

Mick Lay called for the election of directors as the first order of new business. Each year, according to Space City Credit Union's bylaws, the Board Chairman appoints the Nominating Committee. This year's Nominating Committee was comprised of Mike Proctor, Susanna Guajardo and Nikki Moore.

It was their duty as the Nominating Committee to nominate at least one member to each board vacancy and to file their nominations with the Secretary of the Board at least 45 days prior to the Annual Meeting.

This year's nominees are Buddy Holcombe, Mark Heitker, Stephen Hines, and Mick Lay.

## ELECTION OF DIRECTORS (given by Mick Lay)

There have been no other nominations for the Board, so a motion was made by Jack Patton and a second by Jerry Garcia to elect the current slate of Directors by acclamation. The motion passed by acclamation.

## PRESIDENT'S REPORT (given by Craig Rohden)

As a financial cooperative, our success is your success. When you participate in the credit union, whether you are a saver, borrower, or both, you are contributing to our growth. And because of our cooperative structure, we are able to return our profits back to you – the owners and members of Space City Credit Union. How are these profits returned to you? We return these profits to you through competitive rates, new products, enhanced services, and additional points of service to mention a few.

Space City Credit Union is a locally owned and governed financial institution. We have a strong connection to this vibrant community and we are well position to support Houston's growing demand for a financial institution that cares about your financial future.

As our membership grows, so do our assets, indicating that you are taking full advantage of the products and services we have to offer. Our current assets began the year at \$60,172,164 and ended the year at \$64,592,676.

I am pleased that as loan demand has held steady and we booked almost \$28,000,000 in loans in 2013.

Delinquencies remain low at 0.55%. This tells me that you value the competitive rates we are able to offer and you have a strong commitment to honor your financial obligations with your credit union.

Just as you are committed to Space City Credit Union we are committed to you. The following are but a few highlights from 2013 that demonstrate this:

- Implemented a new online membership application platform
- Applied for and was granted a community charter around our La Porte Branch
- Amended our board fees
- Created a successful partnership with CU Members Mortgage for our member's mortgage lending needs

It is worth pointing out that we were able to add all of these new products and services without compromising the bottom line. Space City Credit Union is a well-capitalized financial institution, with a strong capital ratio of 8.17%. To put that in perspective, 7 percent is the industry standard.

Our 2013 results illustrate that Space City Credit Union is a strong, sustainable, and efficient financial institution. Indeed, we are confident in our ability to meet all of your financial services needs.

We are far more than an institution that offers financial products and services. Here are but a few differentiators that make Space City Credit Union special:

- We have a staff of experienced professionals who report to work every single day with one objective - helping you meet your financial goals. I'm proud to say that at Space City Credit Union, we strive to provide a culture that fosters personal and professional development as we recognize that a happy staff leads to better service to our members.
- We have a talented volunteer board of directors who share their expertise and knowledge to guide this organization toward continued success. We have a strong desire to ensure they are a highly skilled and educated governing body.
- And, we have a unique business model that empowers every single member to have a voice. One member, one vote.

My commitment to you is that Space City Credit Union will continue to:

- grow responsibly
- listen and respond to your needs
- explore innovative product/service solutions to enhance your financial life
- develop our staff and board so they can confidently serve you

We look forward to serving you in 2014.

*A motion was made by Buddy Holcombe and a second by Byron Hodges to adjourn the meeting. The motion passed by acclamation and the meeting adjourned at 11:25 AM.*

**SPACE CITY**  
CREDIT UNION

3101 Harrisburg Blvd.  
Houston, TX 77003  
Telephone: 713-222-1244  
[www.SpaceCityCU.com](http://www.SpaceCityCU.com)

