

# Annual Report 2017

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## President's Report



When our credit union founders opened for business in 1965, they could only have dreamed that their vision would grow to 8,020 members in 53 years and that our assets would grow to 78.7 million. We look back on

those early days with gratitude for their courage, and also with a sense of awe at how far we've come. And we didn't get here by accident.

This year will go down in history as one of the most unusual for its hurricanes and devastating flooding. Not only did the credit union and our staff face remarkable hardships, so did many of our members. Some people lost their cars, their belongings, their homes—some people lost everything. Some are still working to recover, and in fact, for some, a full recovery may be months away.

We are proud that we were able to rise up and do what was necessary to help our neighbors in the face of tremendous adversity. We provided emergency post-Harvey loans and skip-payments to our members. We also assisted our employees that were affected by the hurricane with grant funding to get back on their feet. Our BALANCE financial fitness program also provided members with free financial resources and one-on-one guidance to help them recover financially after being affected by the storm.

In 2017, the credit union movement weathered more than hurricanes. Many of our members were victims of the Equifax breach that affected 143 million Americans.

But your financial institution suffered no data breaches, and you can rest assured your data remains safe with us.

In 2017 we purchased a new 11,000 square foot office building located at 4101 Clinton Drive, Houston, TX 77020. This branch has a 4 lane drive thru to service you, and the lobby is not open to the public as it houses our ever expanding back office team. In 2018, we look forward to another exciting update that is taking place. Due to increased traffic and a continual desire to improve our member experience, we will be renovating the drive thru-lanes at our flagship branch on Harrisburg Boulevard. This update will include adding an additional lane on the drive thru, and a drive up ATM that will be accessible 24 hours a day, 7 days a week. We also purchased the lot next door to the Harrisburg Branch and it will be completely paved for extra parking. This renovation will begin in a few short weeks, and we truly believe it will enhance your experience at this location. Stay tuned for more announcements on ways we're improving your Credit Union.

Our member-owners are integral to our credit union family, and we are sincerely grateful that you've chosen Space City Credit Union as your financial partner. We look forward to a great 2018.

Thank You,  
Craig Rohden, President/CEO

## Chief Operations Officer Report



In addition to establishing policies and ensuring that the credit union adheres to pertinent laws, regulations, and sound business practices, we are also charged with making sure new products and services

are developed as needed.

With the continued success of Space City 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. We added several enhancements to our current product lineup to continue to better serve you:

- **Branded Mobile App** – Our new app is now branded with our Space City CU logo and colors.
- **Accounting Software** – The upgraded software now allows for a more streamlined and efficient accounts payable process for this department.
- **EMV VISA Debit Chip Cards** – we began providing our members with chip cards in June 2017. All members cards are on a monthly accelerated re-issue schedule.
- **LPL/Galene Financial** – The Credit Union began a strategic partnership with Galene Financial to strengthen our long time financial fitness offerings. We now offer financial advising and investment advisory services at a reduced rate and a free initial

consultation for members.

- **Card Valet** – allows members to turn their card “on” and “off” and set restrictions on their debit card from the Card Valet app
- **PopMoney** – Person to person payments. Send money electronically to a person of your choosing – whether they bank with Space City or not!
- **Credit Sense** – members will be able to view their free credit report and score through their Space City online banking. Will assist with ID theft protection.
- **Finance Wizard** – personal financial management tool available through online banking. Set budgetary goals, track how much you’re spending in entertainment, housing, and aggregate accounts from other financial institutions, etc.
- **E-Notices** – members will be able to opt in to receive email notices instead of paper.

As we move into 2018, my commitment to you today is that Space City Credit Union will continue to grow responsibly while listening and responding to your needs; explore innovative product and service solutions to enhance your financial life; and develop our staff and board so they can confidently and wisely serve your interests.

Thank You,  
Nikki Moore, COO

## Chairman's Report



We are the stakeholders in this credit union. And by “we,” I mean all of us, though in slightly different ways. We are all invested in the health and wellbeing of this great financial institution.

I want to recognize our board for their leadership, dedication, and passion for credit unions. Those are integral qualities for long-term sustainability and prosperity, and I’m greatly humbled by the trust you’ve placed in us. As a united body of leadership, we are responsible for ensuring that we have a competent, qualified, and trustworthy management team, and I can say unequivocally that we do.

As a financial cooperative, we understand that we can most effectively serve you and strengthen that movement by engaging in the vast network of organizations and service groups available. For instance, our participation in our local chapter of credit unions allows us to benefit from the training, tools, and resources available through our trade association, the Cornerstone Credit Union League, whose purpose is to support our endeavors and, by extension, you.

As you can see in the Annual Report, Space City Credit Union performed well in 2017. Though the credit union needs to make a profit to keep the doors open, our sole interests are in our stakeholders’ interests, and whenever we can, in keeping with our credit union mission, we will distribute profits back to you.

You may have seen our communications at the beginning of 2018 letting our membership know that

we gave back \$60,000 to you in 2017. You may have even seen a few extra dollars in your account. Checking account holders redeemed their UChoose bonus rewards in the amount of \$31,000, and that number continues to grow! Additionally, if you had an active loan with us in 2017, you received a 1% refund on all interest you paid on your loan in 2017. This refund was deposited to your Space City Credit Union savings account on December 31, 2017! We gave back nearly \$29,000 in loan interest. Check your account statement as of December 31, 2017 to see how much you received. This is our way of saying thank you for your support and trust in Space City Credit Union.

In closing, I’d like to express my deepest confidence in the leadership of the Credit Union and the wisdom and guidance of our esteemed board of directors, the commitment of our dedicated staff, and the support and loyalty of our member-owners. We look optimistically into the future because Space City Credit Union is well positioned to face any challenge and seize any opportunity that presents itself in 2018.

Sincerely,  
Mick Lay, Chairman

# Treasurer's Report



In 2017, Space City Credit Union earned \$783,062 in net income after expenses, which added to the credit union's net worth to increase our financial stability and prepare for future growth. Over the course of the year we saw a \$2,646,702 increase in assets, bringing our asset size to \$78,737,441 to close the year. Our shares increased from \$66,306,284 at the beginning of the year to \$69,206,367 by year end 2017. Loans also saw a healthy increase of \$4,147,570, bringing our total loans outstanding to members to \$63,331,582. The Credit Union's capital to asset ratio remains solid at 9.73%, and our Return on Assets (ROA) ratio is strong at 1.01% compared to our peer group average of 0.78%.

Statement of Income  
For Period Ending December 31, 2017

	2017	2016
<b>Income</b>		
Loans	\$3,262,432	\$3,203,325
Investments	\$56,133	\$30,309
Other	\$1,656,843	\$1,575,497
<b>Total Income</b>	<b>\$4,975,408</b>	<b>\$4,809,131</b>
<b>Non-Operating</b>	<b>\$11,996</b>	<b>\$1,276</b>
Income/Expense	\$4,987,404	\$4,810,407
Income Before Dividends Less: Dividends	\$488,529	\$419,944
Less: Int on Borrowed Funds	\$10,034	\$15,609
<b>Expenses</b>		
Employee Compensation	\$1,746,354	\$1,542,463
Office Operations	\$895,467	\$897,172
Provision for Loan Losses	\$342,169	\$292,278
Operating Expenses	\$721,789	\$1,152,739
<b>Net Income</b>	<b>\$783,062</b>	<b>\$490,200</b>
<b>Allocation of Net Income</b>		
To Regular Reserves	\$0	\$0
<b>To Undivided Earnings</b>	<b>\$783,062</b>	<b>\$490,200</b>

Statement of Financial Condition  
For Period Ending December 31, 2017

	2017	2016
<b>Assets</b>		
Loans	\$63,331,581	\$59,184,011
Allowance for Loan Loss	(\$312,478)	(\$278,079)
Net Loan	\$63,019,103	\$58,905,932
Cash	\$2,362,460	\$845,693
Investments	\$4,208,887	\$9,759,481
Fixed Assets	\$4,444,671	\$2,685,249
Other Assets	\$4,702,320	\$3,894,384
<b>Total Assets</b>	<b>\$78,737,441</b>	<b>\$76,090,739</b>
<b>Liabilities</b>		
Notes Payable	\$0.00	\$1,750,000
Accounts Payable	\$1,474,398	\$929,045
Other Liabilities	\$390,955	\$222,750
<b>Total Liabilities</b>	<b>\$1,865,353</b>	<b>\$2,901,795</b>
<b>Savings</b>		
Shares	\$69,206,367	\$66,306,284
<b>Equity</b>		
Regular Reserves	\$472,173	\$472,173
Undivided Earnings	\$5,197,053	\$4,413,991
Equity Acquired from Merger	\$1,996,495	\$1,996,495
<b>Total Liabilities &amp; Equity</b>	<b>\$78,737,441</b>	<b>76,090,739</b>

Space City Credit Union remains a healthy and sound financial cooperative. I want to express my gratitude for your trust and your continued membership, and I wish you and your families the very best in 2018. Thank you for your membership.

Regards,  
Jerry Garcia, Treasurer

## Credit Committee Report



The Credit Committee is appointed by the Board of Directors to regularly review current Credit Union loan policies, ensure the safety and soundness of loan underwriting, and meet the credit needs of the membership.

The Credit Committee remains committed to protecting the assets of our members while ensuring Space City Credit Union is a great resource for affordable access to credit. 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

In the year 2017, Space City CU's loan department approved 1,590 loans for more than 31.8 million dollars. Our delinquencies remain low at 0.61%. Reviewing our progress for the year, these numbers reflect a strong commitment from our membership to use Space City Credit Union for their lending needs. Our low delinquency number shows the strength in the lending program with regards to our underwriting decisions.

### 2017 Loans

Loan Type	YTD # Loans	Amount	Percentage
New Auto	269	\$ 10,997,638	35%
Used Auto	598	\$ 13,805,911	43%
Signature	552	\$ 2,025,932	6%
Other Secured	171	\$ 2,337,905	7%
MasterCard Advances	-	\$ 4,731,771	15%
Loan Add	-	\$ 615,590	2%
Refinances	-	\$ (2,677,827)	-8%
<b>Total</b>	<b>1590</b>	<b>\$ 31,836,920</b>	<b>100%</b>

## Audit Committee Report



The Audit Committee is appointed by the Board of Directors to ensure a comprehensive annual audit of Space City Credit Union's books and affairs is conducted in accordance with established principles and commission rules. This committee also submits a summary report of the audit to Space City Credit Union's members at the annual meeting.

Each year the Credit Union has two audits. An internal audit performed by a firm that the Credit Union hires, as well as an exam (every 12-18 months) performed by the Texas Credit Union Department. In 2017, the audit committee retained the services of Credit Union Resources, inc. to perform our internal audit to verify compliance with state and national regulations; verify adherence to the Credit Union's policies and procedures; and review controls over operations for adequate security. The Committee reviewed both reports as well as management's responses and then addresses any issues in its monthly meetings.

The findings from both audits in 2017 indicate that Space City Credit Union is in good health, both financially and operationally. For 2018, the Audit Committee secured the services of a new firm, Doeren Mayhew. The new firm will perform our internal audit for the next three years (2018-2020).

A Verification of Member Accounts (VOMA) is performed bi-annually to ensure the accuracy and integrity of member accounts. Members received notification of the VOMA in their statements. The 2017 VOMA was performed and the audit committee found no issues with accounts. The committee welcomes all comments and suggestions from our members.

Sincerely,  
Jack Patton, Matt Hayslip, Rod Tejada

## Space City Charities

Space City Charities is a 501 (c)(3) non-profit organization that was established in 2013 by Space City Credit Union. The operations of Space City Charities are run by independent volunteer board of directors.

The mission of Space City Charities is to help students achieve their dreams through financial literacy and furthering their education. The primary method we use to achieve this goal is by providing scholarships to deserving students.

The main source of funding for these scholarships is the Annual Wolf Scholarship Golf Classic’s sponsorships, players, and donations. The Annual Wolf Scholarship Golf Classic was established in 2009 to honor Verna Wolf who served on the board of Space City Credit Union for 40 years (1965 – 2005). Mrs. Wolf passed in 2016, and this golf tournament continues to honor her dedication to the credit union movement

and the philosophy of “people helping people.” Space City Charities gave away its first scholarship in 2011, and since then has given away over \$102,350 to students eager to further their education. We seek to provide financial assistance to students, encourage academic excellence, and to recognize achievements both in and out of school. Each year the charities board works hard to fundraise and increase awareness of both scholarship availability and charity activities. It is only through these activities that we are able to continue to give back to students seeking to further their education.

The 2017 tournament had over 100 golfers and will allow Space City Charities to give away over \$40,000 in scholarships in 2018. The tournament held in 2016 allowed us to have \$20,000 in scholarships to award in 2017. The scholarship recipients can be found below:

### 2017 Scholarship Recipients

Courtney B.	\$2,500 Space City Charities Scholarship
James D.	\$2,500 Space City Charities Scholarship
Makia G.	\$2,500 Space City Charities Scholarship
Kinsley G.	\$2,500 Space City Charities Scholarship
Michael K.	\$2,500 Verna Wolf Scholarship
Matthew M.	\$2,500 B.C. “Buddy” Holcombe s Scholarship
Robert L.	\$2,500 Space City Charities Scholarship
Ian R.	\$2,500 Space City Charities Scholarship
<b>Total Scholarships 2017 Awarded</b>	<b>\$20,000</b>

Our 9th Annual Wolf Scholarship Golf Classic is set for Tuesday, October 30, 2018 at Tour 18 Golf Course in Humble, TX. For more information on the Wolf Scholarship Golf Classic, please visit [www.SpaceCityCharities.Org](http://www.SpaceCityCharities.Org).

## Board of Directors



Mick Lay  
Chairman  
Board Member Since 1975



Steve Hines  
Vice Chairman  
Board Member Since 1985



Judy Langford  
Secretary  
Board Member Since 1982



Jerry Garcia  
Treasurer  
Board Member Since 1979



Jack Patton  
Assistant Secretary  
Board Member Since 2010



Matt Hayslip  
Audit Committee  
Member Since 2008



Mark Heitker  
Director  
Board Member Since 2006



Bryon Hodges  
Director  
Board Member Since 2008



Buddy Holcombe  
Director  
Board Member Since 1970



Craig Rohden  
President/CEO/Director  
Board Member Since 2001



Robert Sander  
Director  
Board Member Since 1980



Rod Tejada  
Audit Committee  
Member Since 2017

## Management Team



Jorge Amaya  
AVP of Member Services  
Team Member Since 2017



Siobhan Davis  
Teller Supervisor  
Team Member Since 2018



Vicki Fernandez  
Call Center Team Lead  
Team Member Since 2017



Nicole Frausto  
La Porte Branch Manager  
Team Member Since 2009



Angie Martinez  
Accounting Manager  
Team Member Since 2017



Nikki Moore  
Chief Operations Officer  
Team Member Since 2008



Paula Newkirk  
Member Solutions  
Supervisor  
Team Member Since 2007



Kristi Strange  
Operations Manager  
Team Member Since 2012