

# Growing Together



**SPACE CITY**  
CREDIT UNION

## Annual Report 2009

## President's Report

On behalf of Space City Credit Union, we are honored to celebrate another successful year in serving the membership. This is our 45<sup>th</sup> year of serving you and we are grateful to be your financial institution of choice. There were many economic challenges in 2009 and credit unions were not without their share of hardships. In the first months of 2009, the National Credit Union Administration (NCUA) took two corporate credit unions into conservatorship. A corporate credit union serves the needs of natural person credit unions, such as Space City CU. As a result of this, we recorded a loss on our capital in one of the corporate credit unions. This loss is reflected in our financial statements for 2008 and 2009.

Subprime loans caused much of the turmoil in the financial industry. But here at Space City CU, we have never participated in this type of risky lending. Our conservative lending and investment practices consistently safeguard the best interests of our members, and the careful oversight that is a cornerstone of the credit union business model helped make your credit union a safe place for your money during these uncertain times. Through all this change one thing has stayed constant – the fortitude of our members and our commitment to them. This annual report is dedicated to the one thing that has made us successful over the past 45 years – our members. Nobody argues that the next few years will not be one of challenge and turmoil for our country and our region. However, I know that by focusing on the things that truly matter – our members, their financial well-being, our own frugality – we will come out of this period of history a stronger financial institution.

Our volunteer board of directors' commitment to the core principles that have propelled our success has helped Space City CU retain our strength and ability to be here to support our members' financial needs today. While the economic turbulence may continue for some time, with the continuing support of member-owners, our business partners, and our volunteers, Space City CU will remain a steadfast financial institution and weather the economic storm with our strategic vision. Despite tough economic conditions over the past year our products and services have continued to expand. We found many opportunities throughout the year to make our members' financial lives more convenient and rewarding. New programs in 2009 included the opening of our Uptown Branch, which allows us to continue to provide convenient accommodations for member transactions at a brand new location. We also began offering UChoose Rewards, our VISA debit card rewards program for your everyday transactions. We also upgraded our computer security system with a new tool to help the credit union staff maintain the integrity of deposited funds and comply with government regulations. Another new feature is our upgraded financial reporting software, which provides added efficiency in reporting imperative financial figures and data to our examiners. We also added virtual branch lending, a platform that allows us to deliver a improved and faster lending process. Lastly, we implemented E-statement which provides safer delivery of your monthly member statement.

On behalf of the entire Credit Union, I thank our members for their continued business. I thank our employees for their dedication to serving the needs of our members and I thank our communities for their support.

Thank You,  
Craig Rohden, President/CEO

## Chairman's Report

On behalf of the Board of Directors, the committees and staff of Space City Credit Union, I am pleased to present this Chairman's report to you. By virtue of being a member of this financial institution - you are an owner of your credit union – one member, one vote. We are a financial cooperative dedicated to improving your financial well-being. Credit union membership is unique to the financial services arena. By virtue of our corporate structure and member elected volunteer board members, your credit union membership is truly special. Your ownership in the credit union is what makes your relationship with us different. At a bank, you are a customer. At the credit union, you are an owner.

Our mission is to create a uniquely positive experience while serving our members. Management closely monitors member service and product offerings to ensure we are in compliance with our mission statement. Our staff works hard to go "above and beyond" your expectations and recent member survey's reflect this attitude. As Chairman, I witnessed Space City CU rise above each challenge that the economy brought this past year. Space City Credit Union is part of a strong and successful credit union movement. Your credit union has managed to stay financially safe and sound throughout the recent turbulent economic times. We have always and will continue to act in the best interest of our members. We don't participate in any risky investments or lending to ensure the safety and security of your financial future. We continue to be excited about our growth as a financial organization. We plan to expand our product offerings and enhance our service even more in the coming year. It is our hope that you will make us your primary financial institution, and it is our pleasure to serve you.

Sincerely,  
Mick Lay, Chairman

## Treasurer's Report

In 2009, Space City Credit Union implemented more products and services that continue to lead our credit union into the future. With the commitment of our members and increased use of our services, we are able to yield strong results in the overall financial condition of the credit union, despite current economic circumstances. Space City CU remains strong, safe and secure because of our loyal member-owners. We are not bankers. Our credit union includes family members, co-workers, friends and neighbors working together to move forward. It is through your support that we continue to prosper and develop convenient services that complement your busy lifestyles. Membership has many benefits and our cooperative effort will always prevail through the hard times for you to achieve your financial goals.

As we continue to grow, we have better economies of scale and efficiencies that enable us to develop a broader array of financial products and services. In 2010, we plan to explore more ways to offer products, add more locations, and offer you even better service. Your patronage of the credit union benefits you, the owner, with competitive dividends and interest rates, low-cost or no-cost financial services and expanded product lines. Thank you for your membership.

Sincerely,  
Jerry Garcia, Treasurer

## Credit Committee Report

Even though the economic climate proved to be tumultuous in 2009, our lending policy provided a solid foundation upon which our lending department stood. Thanks to our low rates and efficient service, loan demand remained constant throughout the year. Although we are a smaller financial institution, Space City Credit Union works diligently to make sure our loan rates remain competitive and that we do everything we can do provide our members with the financing that they need. Space City CU's loan department approved over 900 loans for more than 13.5 million dollars, making for a record-breaking year in lending. Below you will find a consolidated statement for your review.

Thank you,  
Steve Hines  
Chairman, Credit Committee

2009 Loans			
Loan Type	# Loans	Amount	Percentage
New Autos	125	\$3,282,281	30%
Used Autos	256	\$3,600,124	33%
Signature	303	\$ 818,761	7%
HE/Real Estate	15	\$1,361,381	12%
Other Secured	118	\$1,897,508	17%
<b>Total</b>	<b>817</b>	<b>\$10,960,055</b>	

## Audit Committee Report

The Audit Committee is appointed by the Board of Directors and is responsible for two general goals. First, that management's financial reporting objectives have been met, and secondly, that management practices and procedures safeguard member assets. In accomplishing these goals, we supervise the establishment and ensure it maintains effective internal controls, promptly prepares accounting records, and financial reports that accurately reflect operations and results. Additionally, that management establishes policies and procedures that safeguard against error, carelessness, conflict of interest, and fraud.

The Texas Credit Union Department and the national Credit Union Administration examine 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. Due in part to the efforts of the Audit Committee and auditors throughout the credit union movement, credit unions as a whole is very sound financial institutions. Credit Unions provide an alternative to consumers and the fact is more individuals are choosing credit unions not only because of their services, but also because they know that their money is safe. 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 address: Space City CU Audit Committee, P.O. Box 2992, Houston, TX 77252.

Sincerely,  
Jack Patton, Matt Hayslip

Statement of Income			Statement of Financial Condition			How Did We Do In 2009?		
For Period Ending December 31, 2009			For Period Ending December 31, 2009			A Nationwide Comparison		
	2009	2008		2009	2008		SCCU	Others
<b>Income</b>			<b>Assets</b>			Loan	11%	1.6%
Loans	\$1,594,994	\$1,597,155	Loans	\$22,427,047	\$19,230,464	Growth		
Investments	\$67,477	\$81,381	Allowance for Loan Loss	(\$254,628)	(\$234,617)	Delinquency	0.44%	1.39%
Other	\$847,114	\$865,931	Net Loans	\$22,172,419	\$18,995,847	Return on Assets	0.83%	-0.03%
<b>Total Income</b>	<b>\$2,509,585</b>	<b>\$2,544,467</b>	Cash	\$627,779	\$478,499			
<b>Expenses</b>			Investments	\$3,669,108	\$4,296,311			
Employee Compensation	\$728,418	\$689,533	Fixed Assets	\$612,857	\$568,148			
Office Operations	\$485,907	\$449,432	Other Assets	\$169,849	\$139,093			
Provision for Loan Losses	\$188,934	\$401,674	<b>Total Assets</b>	<b>\$27,252,014</b>	<b>\$24,477,898</b>			
Operating Expenses	\$599,313	\$611,214	<b>Liabilities</b>					
<b>Non-Operating Income/Expense</b>	<b>\$97,291</b>	<b>(\$216,060)</b>	Notes Payable	\$1,972,644	\$0			
Income Before Dividends	\$2,606,875	\$2,554,468	Accounts Payable	\$147,893	\$630,138			
Less: Dividends Int on Borrowed Funds	\$436,713	577,404	Other Liabilities	\$123,484	\$92,868			
<b>Net Income</b>	<b>\$216,784</b>	<b>(\$335,376)</b>	<b>Total Liabilities</b>	<b>\$2,244,020</b>	<b>\$723,006</b>			
<b>Allocation of Net Income</b>			<b>Savings</b>					
To Regular Reserves	\$0	\$0	Shares	\$22,822,706	\$21,786,389			
To Undivided Earnings	\$216,784	(\$335,376)	<b>Equity</b>					
			Regular Reserves	\$493,206	\$493,206			
			Undivided Earnings	\$1,722,080	\$1,475,295			
			<b>Total Savings &amp; Equity</b>	<b>\$22,822,706</b>	<b>\$21,786,389</b>			
			<b>Total Liabilities &amp; Equity</b>	<b>\$27,252,014</b>	<b>\$24,477,898</b>			

## 44<sup>th</sup> Annual Meeting Minutes

The 44th Annual Meeting of the Space City Credit Union was held on April 25, 2009 at Buckhorn Ranch in Houston. There were approximately 400+ people in attendance. Prior to the actual meeting, there was a Bar-B-Que dinner and prizes were given away (list can be obtained upon request) from 1:00 PM – 3:30 PM. The actual meeting was called to order by the Chairman, Mick Lay at 3:40 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/Manager)
Felix Ludwig, Jr.	Rita Schaulat
Jerry Garcia	

Absent and excused were Steve Hines, Jack Patton, and Matt Hayslip due to business commitments.

### 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 44th year of serving the members and that 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 Connie Eagle and a second by Johnny Gonzales to accept the minutes of the 2008 Annual meeting as written in the agenda handed out to each member. The motion passed by acclamation.

### REPORT OF THE BOARD OF DIRECTORS

Mick Lay welcomed all members and told them how grateful we are to be their financial institution for the past 44 years. Space City Credit Union is part of a strong, successful and united credit union movement. As members, you are owners – one member, one vote. The Credit Union is a financial cooperative dedicated to improving your financial well-being. Your ownership in the Credit Union is what makes your relationship us different. At a bank, you are a customer; at the Credit Union, you are an owner. Your Credit Union has managed to stay financially safe and sound throughout the recent turbulent economic times. We have always and will continue to act in the best interest of our members. We continue to be excited about our growth as a financial organization and to expand our product offerings and enhance our service even more in the coming year.

### REPORT OF THE TREASURER

Jerry Garcia gave the treasurer's report and stated the Credit Union implemented more products and services that continue to lead the Credit Union into the future. With the commitment of our members and increased use of our services, we were able to yield strong results in the overall financial condition of the credit union.

### REPORT OF THE TREASURER (continued)

As we continue to grow, we have better economies of scale and efficiencies that enable us to develop a broader array of financial products and service. In 2009, we plan to explore more ways to offer products, add more locations, and offer you even better service. Your patronage of the credit union benefits you, the owner, with competitive dividends and interest rates, low-cost or no-cost financial services and expanded product lines. Thank you for your membership.

### REPORT OF THE AUDIT COMMITTEE

Craig Rohden gave the report for the Audit Committee and stated they are appointed by the Board of Directors and responsible for two general goals: first, that Management's financial reporting objectives have been met, and secondly, that Management practices and procedures safeguard member's assets. In accomplishing these goals, we supervise the establishment and ensure it maintains effective internal controls, promptly prepares accounting records, and financial reports that accurately reflect operations and results. Additionally, that management establishes policies and procedures that safeguard against error, carelessness, conflict of interest, and fraud. The Texas Credit Union Department and the National Credit Union Administration examine the Space City Credit Union on an annual basis. Additionally, the Audit Committee contracts the services of Credit Union Resources, Inc to conduct an internal audit, as well. We are proud to report that financial statements accurately portray the net worth of the Credit Union. All books, records, loan portfolios and administrative areas are accurately maintained..

The safety of the members' savings and the financial soundness of Space City CU can be assured by the Audit Committee.

### REPORT OF THE CREDIT COMMITTEE

Steve Hines gave this report and stated the Credit Union approved over 800 loans for more than \$11 million dollars.

### 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. The nominations for Board of Directors to fill three vacancies as presented by the Nominating Committee of Susanna Guajardo, Julie Gonzalez, and Nikki Moore were Felix Ludwig Jr, and Judy Langford. There were no other candidates presented, so a motion was made by Betty Lay and a second by Connie Eagle to declare these three as the newly elected Directors for 3-year terms. The motion passed by acclamation.

### PRESIDENT'S REPORT

Craig gave a brief report of the new functions of the Credit Union and the benefits and why people should be members. He also gave special thanks to those that donated door prizes for the drawings.

A motion was made by Shirley Holcombe and a second by Shirley Garcia that the meeting adjourn. The motion passed by acclamation and the meeting adjourned at 3:55 P.M.