

ANNUAL REPORT

2015



3101 Harrisburg Blvd., Houston, TX 77003
Phone: 713-222-1244
Website: www.SpaceCityCU.com



PRESIDENT'S REPORT

ANNUAL REPORT 2015

On behalf of the management and staff, let me say how happy I am to be here for the 51st annual meeting of Space City Credit Union. As it was then and remains to this day, our unique business model empowers every single member to have a voice - "one member, one vote."

In that spirit, I'd like to express my earnest thanks to each and every member. When you participate in your credit union you are contributing to its growth, and that's why this credit union continues to thrive year after year. Due to our cooperative structure, we're able to return our profits back to you, the member/owners by offering competitive rates, new products, and enhanced services.

As our membership grows, so do our assets, which is the barometer of how well our members are receiving the products and services this credit union has to offer. Our current assets are \$70,927,696, and we are proud to be the Credit Union of choice for over 8,000 members located all over the country! Loan demand has remained strong, and we currently have over 58 million dollars in loans. Delinquencies remain low at 0.52%. 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.

I'm pleased to point out that Space City Credit Union is a well-capitalized financial institution, with a strong net worth ratio of 9.68%. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators. In the area of expense control, we continue to work with vendors and business partners to negotiate and secure the best deals we can on all of our services. Our membership should expect our organization to make cost-effective decisions and, in 2015, we were able to address several opportunities and realize incremental savings. During 2015 we were also able to upgrade our mobile check deposit software, and begin a new relationship with a local third party mortgage company. We also implemented new checking account parameters to encourage all members to take advantage of our rewards based checking account program.

Our 2015 results illustrate that Space City Credit Union is a strong, sustainable, and efficient financial institution, but we are also an integral part of the community. That's important to us, and that makes us significantly different from other financial institutions. Our commitment and presence in the community can be seen in some of the activities we've taken part in during 2015. We remain active in the local community participating in local festivals, district boards, and volunteering whenever possible. Also, as many of you know, in 2013 we started Space City Charities, a 501c3 organization whose main purpose is to raise funds for scholarships. We are happy to report that to date we have awarded over \$44,000 in scholarships to deserving students.

Thank you members, employees, committee members and board members. We appreciate your trust in us to provide outstanding service that you won't find anywhere else.

Thank You,
Craig Rohden, President/CEO



CHAIRMAN'S REPORT

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As we've grown over the past half century, we have kept our steadfast commitment to remain focused on what is best for the entire membership and communities.[†]As we push forward, we will continue to provide high quality services and ensure we are convenient for our members. We will seek to help more people in our community find solid ground through financial education and our charitable activities.[†]Nationally and on the state level, we will remain vigilant in making sure our elected officials and members know the credit union difference.

We are excited about the bright future that lies ahead of us. It's a future we can all share in, and one that encourages our highest potential and ensures our best purpose in serving you, our members. For instance,

- We want to target particular segments of our community where we can make the greatest impact. Helping with financial literacy and the account management of members who are most vulnerable, such as pre-high school children, young adults, retirees, and our elderly is one way we can do that. Through our free BALANCE Financial Education and Counseling Program, we have been able to help numerous people get on the right financial track, and we look forward to continuing this program.
- We want to enhance our resources to ensure our members are using the safest, most secure, and most convenient technology available;
- We want to grow our community impact through working with members facing the challenges of whatever life phase they may be in;
- We want to be a knowledge hub that places the credit union at the center of our members' financial lives, allowing them to trade peer advice and insights about budgeting, buying, retiring, and saving; and
- We want to help you responsibly finance life activities, such as education, small businesses, and transportation.

Through it all, we will continue to focus on people first. It is what makes our credit union different, and what makes us strong. Many thanks for being an integral part of our credit union family. On behalf of the entire Board of Directors, we look forward to a happy and successful 2016.

2015 Space City Credit Union
Board of Directors

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

Sincerely,
Mick Lay, Chairman



TREASURER'S REPORT

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In 2015, Space City Credit Union earned \$501,000 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 \$2,261,867 increase in assets, bringing our asset size to \$70,927,696 to close the year. Our shares increased from \$58,946,243 at the beginning of the year to \$61,609,688 by year end 2015. Loans also saw a healthy increase of \$4,107,433, bringing our total loans outstanding to members to \$58,870,815. The Credit Union's capital to asset ratio remains solid at 9.68%, and our Return on Assets (ROA) ratio is strong at 0.72% compared to our peer average of 0.43%.

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.

Regards,
Jerry Garcia, Treasurer

TREASURER'S REPORT

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STATEMENT OF FINANCIAL CONDITION For Period Ending December 31, 2015		
	2015	2014
ASSETS		
Loans	\$58,870,815	\$54,763,372
Allowance for Loan Loss	(\$297,765)	(\$245,781)
Net Loans	\$58,573,050	\$54,517,591
Cash	\$761,401	\$728,436
Investments	\$6,262,163	\$8,023,668
Fixed Assets	\$1,443,969	\$1,426,952
Other Assets	\$3,887,113	\$3,969,182
Total Assets	\$70,927,696	\$68,665,829
LIABILITIES		
Notes Payable	\$2,000,000	\$2,055,733
Accounts Payable	\$720,685	\$1,633,401
Other Liabilities	\$204,895	\$139,113
Total Liabilities	\$2,925,581	\$3,828,247
SAVINGS		
Shares	\$61,609,688	\$58,946,243
EQUITY		
Regular Reserves	\$472,173	\$472,173
Undivided Earnings	\$3,923,760	\$3,422,671
Equity Acquired from Merger	\$1,996,495	\$1,996,495
Total Liabilities & Equity	\$70,927,696	\$68,665,829

STATEMENT OF FINANCIAL CONDITION For Period Ending December 31, 2015		
	2015	2014
INCOME		
Loans	\$3,169,844	\$3,115,225
Investments	\$27,721	\$49,552
Other	\$1,541,421	\$1,469,575
Total Income	\$4,738,986	\$4,634,793
Non-Operating Income/Expense	\$156	\$0
Income Before Dividends	\$4,739,142	\$4,634,793
Less: Dividends	\$391,230	\$406,794
Less: Int on Borrowed Funds	\$11,481	\$3,040
EXPENSES		
Employee Compensation	\$1,671,452	\$1,458,664
Office Operations	\$843,389	\$908,697
Provision for Loan Losses	\$323,703	\$342,745
Operating Expenses	\$996,798	\$900,028
NET INCOME	\$501,089	\$614,825
ALLOCATION OF NET INCOME		
To Regular Reserves	\$0	\$0
To Undivided Earnings	\$501,089	\$614,825

CREDIT COMMITTEE REPORT

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In the year 2015, Space City CU's loan department approved 1,576 loans for more than 30.1 million dollars. Our delinquencies remain low at 0.52%, 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

2015 LOANS			
Loan Type	YTD # Loans	Amount	Percentage
New Autos	261	\$ 10,265,732	17%
Used Autos	549	\$ 11,501,198	35%
Signature	602	\$ 2,292,835	38%
HE/Real Estate	2	\$ 643,900	0%
Other Secure	162	\$ 2,872,122	10%
Master Card Advance	-	\$ 4,238,938	
Loan Add	-	\$ 695,102	
Subtract Refinanced Amounts		\$ (2,335,104)	
Total	1576	\$ 30,174,723	100%

AUDIT COMMITTEE REPORT

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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. The Audit Committee believes all audits, verifications, examinations and compliance reviews present an accurate reflection of the financial results and status of the credit union as a well-managed and financially sound financial institution.

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





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