



Annual Report 2016

President's Report



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By building on the success of recent years and enthusiastically pursuing innovation, Space City Credit Union preserved its positive momentum and delivered another year of strong financial performance in 2016. Space City Credit Union maintained a solid capital position, ending the year with a strong capital ratio of 9.66%—far exceeding the regulatory authority's 7.00% level required to receive a "well capitalized" designation.

Our continued growth and success is a strong indication that we're meeting member needs, but growth alone has never been our ultimate goal. Our size is meaningful only because it enables us to do more for our members. Our most important goal is to build personal relationships with each and every member and to never forget that we exist because we work for you and your financial well-being.

Space City Credit Union strives to provide its members with a financially strong credit union, one that can be counted on to serve them throughout their lifetime. This commitment requires a continued investment in the systems and structures that allow Space City to keep pace with industry change and innovation.

In order to continually provide the most technologically advanced products and services, Space City worked hard in 2016 to begin the roll-out process of twelve new products and services including:



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1. [400 day transaction history](#) – now available in online banking.
2. [Email Receipts](#) for teller transactions.
3. [Enhanced Currency Transaction Reporting \(CTR\)](#) for more efficient teller reporting.
4. [E-Notices](#) – members will be able to opt in to receive email notices instead of paper.
5. [PopMoney](#) – Person to person payments. Send money electronically to a person of your choosing – whether they bank with Space City or not!
6. [Updated Accounting software](#) to make approving and tracking invoices for managers and accounting staff more efficient.
7. [Finance Wizard](#) – personal financial management tool available through online banking. Set budgetary goals, track how much you're spending in entertainment, housing, aggregate accounts from other financial institutions, etc.
8. [Mobile Banking](#) – our mobile banking app is new and improved. Instead of reading "Touch Banking" it is now "Space City CU" mobile banking and is branded with our logo. Now available in the app store.
9. [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.
10. [Card Valet](#) – allows members to turn their card "on" and "off" and set restrictions on their debit card from the Card Valet app
11. [Instant Issue Debit Cards](#) – to be available at the Harrisburg and La Porte branches in May 2017.
12. [EMV Debit Cards](#) – Chip cards to be issued for new and renewal cards beginning May 2017.

On behalf of our organization, we want to thank our volunteer Board of Directors for their continued dedication to the credit union. As members, you elect these individuals to represent your best interests, and they continue to fulfill this important duty for your financial cooperative. We extend our whole-hearted thanks to our employees for living our shared values and delivering on our common purpose of helping people to better their lives and businesses. And most importantly, we are grateful that you chose to be a member of Space City Credit Union!

Thank You,
Craig Rohden, President/CEO

Chairman's Report



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Through sustained and solid growth that is built on our core principles, we aim to strengthen Space City Credit Union for years to come. By following our mission statement of "Going Above & Beyond Your Expectations," the service and outstanding rates we offer have helped our members save hundreds of thousands of dollars. That's money that has helped members retire earlier, save for education, take a trip, build their savings and reduce stress. That kind of effort takes everyone in the cooperative to make it happen.

Because you choose us for your savings, we have money available to lend. Because you borrow from us, we are able to pay better rates on deposits. We all have something to share with one another.

Progressing into our 52nd year, Space City Credit Union will continue to explore beneficial opportunities and services for our members while allowing for meaningful growth. At the end of the day, our goal is to serve our members where they are, when they want to be served and with the technology that makes their lives easier. We encourage you to spread the word so that others can join us and take advantage of our great financial products, services and value through a Space City Credit Union membership.

We achieved many milestones in 2016 by working as a team for our members. We continue to listen to what you need and require from your credit union. With that objective in mind, we focused on creating efficiencies to improve member service and capitalized on our core strengths in lending. The heart of this strategy is our continued commitment to building relationships, communities, and futures. It's the foundation of our success and our promise to our members.

On behalf of our board of directors and the entire team, we thank you for choosing Space City Credit Union as your financial partner. We are grateful for the opportunity to serve you and for the integral role you have played in our 52 year history. We're proud of our past, and look forward to a great future.

Sincerely,
Mick Lay, Chairman



Treasurer's Report



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In 2016, Space City Credit Union earned \$490,200 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 \$5,163,043 increase in assets, bringing our asset

Statement of Financial Condition		
For Period Ending December 31, 2016		
	2016	2015
Assets		
Loans	\$59,184,011	\$58,870,815
Allowance for Loan Loss	(\$278,079)	(\$297,765)
Net Loans	\$58,905,932	\$58,573,050
Cash	\$845,693	\$761,401
Investments	\$9,759,481	\$6,262,163
Fixed Assets	\$2,685,249	\$1,443,969
Other Assets	\$3,894,384	\$3,887,113
Total Assets	\$76,090,739	\$70,927,696
Liabilities		
Notes Payable	\$1,750,000	\$2,000,000
Accounts Payable	\$929,045	\$720,685
Other Liabilities	\$222,750	\$204,895
Total Liabilities	\$2,901,795	\$2,925,581
Savings		
Shares	\$66,306,284	\$61,609,688
Equity		
Regular Reserves	\$472,173	\$472,173
Undivided Earnings	\$4,413,991	\$3,923,760
Equity Acquired from Merger	\$1,996,495	\$1,996,495
Total Liabilities & Equity	\$76,090,739	\$70,927,696

Statement of Income		
For Period Ending December 31, 2016		
	2016	2015
Income		
Loans	\$3,203,325	\$3,169,844
Investments	\$30,309	\$27,721
Other	\$1,575,497	\$1,541,421
Total Income	\$4,809,131	\$4,738,986
Non-Operating Income/Expense	\$1,276	\$156
Income Before Dividends	\$4,810,407	\$4,739,142
Less: Dividends	\$419,944	\$391,230
Less: Int on Borrowed Funds	\$15,609	\$11,481
Expenses		
Employee Compensation	\$1,542,463	\$1,671,452
Office Operations	\$897,174	\$843,389
Provision for Loan Losses	\$292,278	\$323,703
Operating Expenses	\$1,152,739	\$996,798
Net Income	\$490,200	\$501,089
Allocation of Net Income		
To Regular Reserves	\$0	\$0
To Undivided Earnings	\$490,200	\$501,089

size to \$76,090,739. Our shares increased from \$61,609,688 at the beginning of the year to \$66,306,284 by year end 2016. Loans also saw a healthy increase of \$4,107,433

bringing our total loans outstanding to members to \$59,184,011. The Credit Union's capital to asset ratio remains solid at 9.66%, and our Return on Assets (ROA) ratio is strong at 0.66% 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 all of our members for having the confidence in the individuals who help drive the success of your credit union.

Thank you for your membership.

Best Regards,
Jerry Garcia, Treasurer

Credit Committee Report



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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.

In the year 2016, Space City CU's loan department approved 1,529 loans for more than 32.9 million dollars. Our delinquencies remain low at 0.75%, 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.

Space City Credit Union continues to offer best-in-class rates across all of our loan products, as we strive to help our members succeed financially, by providing tangible savings opportunities when they seek to purchase or refinance their auto loans with us, pay off high interest credit card balances, or consolidate debt. We provide competitive loan options and continue to enjoy quality growth in this important sector of our credit union. 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

2016 LOANS

Loan Type	YTD # Loans	Amount	Percentage
New Auto	205	\$ 8,892,302.25	27.01%
Used Auto	540	\$ 11,403,554.31	35.66%
Signature	619	\$ 2,558,938.55	7.78%
Other Secured	165	\$ 2,529,212.68	7.69%
MasterCard Advances	-	\$ 6,804,952.00	20.68%
Loan Add	-	\$ 715,995.23	2.18%
Total	1529	\$ 32,904,955.02	100%

Audit Committee Report



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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.

The Audit Committee is also responsible for ensuring that policies established by the Board of Directors are adhered to by the Credit Union staff and that a strong internal control system is in place that covers day-to-day operations and financial reporting. The Committee retained the services of Credit Union Resources Inc. to perform internal auditing procedures to verify compliance with state and federal regulations; verify adherence to the Credit Union's policies and procedures; and review controls over operations for adequate security. The Committee reviews these reports as well as management's responses and then addresses any issues in its monthly meetings. In addition, an annual independent audit is completed by the Texas Credit Union Department.

The findings indicate that Space City Credit Union is in good health, both financially and operationally. The Audit Committee welcomes questions or comments from members and remains dedicated in its efforts to provide reviews and audits of Space City Credit Union's operations to protect every member.

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 2964, Houston, TX 77252.

Sincerely,
Jack Patton, Matt Hayslip, Rod Tejada



Space City Charities is a 501 (c)(3) non-profit organization that was established in part by Space City Credit Union. The mission of Space City Charities is to help others 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 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 \$79,850 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 staff 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 2016 tournament had over 100 golfers and will allow Space City Charities to give away over \$20,000 in scholarships in 2017. A list of our scholarship awards can be found below:

2011 – 4 Scholarships totaling	\$5,000
2012 – 8 Scholarships totaling	\$8,000
2013 – 14 Scholarships totaling	\$26,350
2014 – 7 Scholarships totaling	\$18,000
2015 – 9 Scholarships totaling	\$22,500
2016 – *To Be Awarded in 2017	\$20,000

Total Scholarships Awarded \$79,850

The next tournament is set for October 30, 2017 at Tour 18 Golf Course in Humble, TX. For more information on the Wolf Scholarship Golf Classic, please visit www.SpaceCityCharities.Org.

Board Of Directors



Mick Lay
Board Member Since 1975
Chairman



Steve Hines
Board Member Since 1985
Vice Chairman



Judy Langford
Board Member Since 1982
Secretary



Jerry Garcia
Board Member Since 1979
Treasurer



Buddy Holcombe
Board Member Since 1970
Director



Jack Patton
Board Member Since 2010
Assistant Secretary



Robert Sander
Board Member Since 1980
Director



Craig Rohden
Board Member Since 2001
President/CEO/Director



Matt Hayslip
Board Member Since 2008
Audit Committee



Mark Heitker
Board Member Since 2006
Director



Byron Hodges
Board Member Since 2008
Director



Rod Tejada
Board Member Since 2017
Director

Management Team



Craig Rohden
President/CEO/Director
Team Member Since 1994



Nikki Moore
Chief Operating Officer
Team Member Since 2008



Susy Guajardo
Vice President of Accounting
Team Member Since 1996



Paula Newkirk
Member Solutions Supervisor
Team Member Since 2007



Eddie Soto
La Porte Branch Manager
Team Member Since 2015



Shaena Seymour
Internal Audit & Training Manager
Team Member Since 2012