



ANNUAL REPORT 2019

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SpaceCityCU.com



PRESIDENT'S REPORT



Good morning and welcome to the 2020 Annual Meeting of Space City CU. I'm delighted to be here with you at our 55th Annual Meeting.

When you joined Space City CU with your initial

deposit, you became one of the most important people in the credit union industry: a member-owner. That initial deposit was your share in Space City CU, and it empowered your voice in your financial institution. Credit unions operate on a "one member, one vote" principle, so you have a true voice in the direction of the credit union.

And let me take a moment to draw a distinction between not-for-profit, member-owned, and member-directed credit unions and other financial institutions. Consider that when most banks hold their annual meetings, the room is filled with shareholders who bought their stock in the corporation, sometimes for large sums of money, and expect exorbitant returns for their investment, which are derived from their account holders. Those meetings are often filled with anonymous faces from around the country or even the world.

That's not the way credit unions do it. Here, you're surrounded by people like yourself who have an equal share of Space City CU. As a result, we can offer you lower rates on loans, higher rates on savings, and fewer fees—not to mention more personalized service. Across the country, credit unions provide more than \$12 billion in financial benefits to members annually.

In short, credit unions put people over profits.

Relevant History of Space City Credit Union

Let me tell you a little about the state of our industry. Texas has 446 credit unions with more than 9.1 million members and total assets of more than \$107 billion. These figures reflect a robust and healthy credit union system, of which Space City CU is a part.

Since our credit union's founders opened for business in 1965, we've grown from just a handful of employees, to more than 8,800 members, and our assets have grown from \$50,000 to more than \$90MM. We are proud of how far we've come, and I know our many accomplishments would not have been possible without the ongoing energy, optimism, commitment, and servant hearts of everyone involved in the operation of this credit union. Because of the work we've all done together, this credit union is thriving.

Issues Affecting CUs and Responses

From a business perspective, your credit union continues its steady trajectory forward and upward, with our focus finely tuned to the things that really matter to our members. As such, we were able to bring our "people helping people" mantra to life in a number of ways that helped not only our members, but our communities.

Data Breaches

As has been the case for several years, one of the biggest ongoing issues we faced in 2019 was data breaches and privacy concerns, because merchants across the country continue to be needlessly vulnerable. Yet, it's not the merchant who must bear the cost of a breach or reissuing new cards to their

PRESIDENT'S REPORT CONTINUED

affected customers. That responsibility falls to your credit union, despite that we would have had nothing to do with the breach. If you're ever part of a data breach, your credit union bears the costs associated with any fraudulent card use, and we don't even hesitate to quickly reissue new cards, so you're inconvenienced as little as possible.

The good news is that your financial institution suffered no data breaches in 2019, and we continue to ensure that your data remains secure. We'll be joining our trade associations, Cornerstone Credit Union League and Credit Union National Association, to lobby Congress to enact a federal data security law that helps secure data, protect your privacy, and foster fair-share responsibility.

Community Outreach

Our commitment to community involvement is just one of the things that make credit unions different from other financial institutions. Some of our community activities in 2019 include:

- Space City Charities in 2019 raised \$40,000 for our scholarship fund. Over \$172,000 raised since inception in 2010.
- We delivered free on-site financial education seminars to the employees of Houston Housing Authority and Spencer Co., two of our select employer groups.
- We co-sponsored or donated to local community events, such as the East End Streetfest, Eastwood Civic Association's Home Tour, Walk for the Woods Project, Baker Ripley's Heart of Gold, INEOS's ICAN Foundation, East End Chamber of Commerce Scholarship Fund, Cage Elementary,

Camp Hope PTSD Foundation (with Nexus Health Group), and LULAC.

- Helped America's Credit Unions contribute \$13M to CU4KIDS.org, the credit union industry's charity of choice supporting the Children's Miracle Network Hospitals.
- The 2019 Houston Chapter of Credit Union's summer food drive collected 3,757 pounds of food to donate to the Houston Food Bank.

And for 2020, we plan to continue these types of community involvement.

New Products and Services

With the continued success of Space City Credit Union, we're able to 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. One new product we are working on for 2020 is the "Save to Win" program. It's a special savings account that gives you all the benefits of a savings account — plus the chance to win cash prizes. Each \$25 deposit into this share certificate (CD) earns you an entry into the monthly and quarterly drawings. The more you save, the more chances you earn. The program is planned to kick-off in April 2020.

Space City Credit Union Objectives

As we've alluded to previously, because of our cooperative business model, we're able to return profits to our members in the form of competitive rates, new products, enhanced services, and additional points of service to make it easier for you to reach your financial objectives. Our highest and best purpose in serving you includes some of the following objectives:

PRESIDENT'S REPORT CONTINUED

- We are committed to serving our community where we can make the greatest impact. Helping with financial literacy and the account management for our members who are most vulnerable, such as pre-high schoolchildren, young adults, retirees, and our elderly, are some of the ways we can do that.
- We are committed to be a knowledge center that allows our members to trade peer advice and insights about budgeting, buying, retiring, and saving.
- We are committed to offering more and better resources that ensure our members are using the safest, most secure, and most convenient technology available.
- We are committed to growing our community impact through basic interest payouts, financial capability programs, payment deferral during community emergencies (such as the government shutdown assistance to furloughed employees), and working with members that face challenges in whatever life phase they might be in; and
- We are committed to helping you finance your life activities, such as education, small businesses, transportation, and home ownership in a responsible way.

As we move into 2020, we promise that Space City CU will continue to grow responsibly while listening and responding to your needs. Our member-owners are integral to our credit union family, and we are sincerely grateful that you've chosen Space City CU as your financial partner. We are here to help you navigate these tough circumstances before us in

2020. And, as much as humanly possible, we wish you a healthy, if not prosperous, 2020.

Thank You,
Craig Rohden, President/CEO



CHIEF OPERATIONS OFFICER REPORT



Who is the boss in your organization? For a not-for-profit credit union such as Space City Credit Union, the answer is YOU! This organizational structure reflects our focus on the member when we make decisions about ser-

vice, products, and any relationships with third-party partners. When we offer our members a product, it is thoroughly researched, vetted, and we are sure of its benefits. Our goal is to make your financial lives easier at every turn. Our hope is to make you more money, save you more money, protect your money, and make access to your key financial information more efficient. Below you will find a few of the new products and services that launched during the year:

- 2019 saw the launch of the Early Warning System which alerts us of checks that will potentially be returned unpaid. This system helps the credit union mitigate potential check loses.
- All Credit Union computers were also upgraded to Windows 10, as Microsoft stopped providing support to prior versions of its operating systems in January 2020.
- Our phone system was enhanced to provide a more efficient user experience. You will now hear your place in line advance as you hold, to provide you with a more accurate idea of your expected wait time.
- Through a new partnership with Excess Share Insurance, member deposit insurance limits have

been increased from \$250,000 to \$500,000.

- Our Home Equity program re-launched in the third quarter of 2019, and our loan officers were able to book over \$820,000 in Home Equity loans for our members.

I am proud of the accomplishments of Space City Credit Union. Four years ago, we started a new Strategic Plan for our organization. The strategic planning process requires the participation of numerous stakeholders: community volunteers who serve on the Board; the Executive Team who sets the direction; and all employees who provide input and utilize tools to give the best possible service to our members. In the end, the Strategic Plan goals will benefit our valued members. This plan is a blueprint that addresses key areas of technology, people, member services, growth and financial strength. Within these areas, we have outlined synergistic goals and initiatives designed to make Space City Credit Union as strong as possible while meeting the needs of our members.

As we move into 2020, we promise that Space City Credit Union will continue to grow responsibly while listening and responding to your needs. Our member-owners are integral to our credit union family, and we are sincerely grateful that you have chosen us as your financial partner. All the best in 2020.

Nikki Moore, COO

CHAIRMAN'S REPORT



Welcome to the 55th annual meeting of Space City Credit Union. I want to thank you for being here, and I applaud you for being truly connected member-owners.

I want to first recognize my fellow board

members for their leadership, dedication, and passion for this credit union. The strength of their commitment is key to our long-term sustainability and prosperity. And to our members, 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 the credit union movement by engaging in the vast network of organizations and service groups available. For instance, 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, our members.

- Membership at Space City Credit Union now stands at 8,808.
- As our credit union membership grows, so do our assets, which is one of the primary indicators of how well our members are receiving the products and services we offer. Our current assets are \$89,100,957, an increase over 2018 of 7 percent.

- I'm very pleased to announce that again this year Space City Credit Union is a well-capitalized financial institution, with a strong net worth ratio of 9.86 percent. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators.
- In total, our 8,808 members have added more than 5.6 million dollars to their savings accounts. When we see people putting money away for the future, we hope our efforts to enhance the financial literacy of our members have contributed to this increase.

Though the credit union needs to make a profit to keep the doors open, our sole interests are our members' interests. In keeping with our credit union mission, we will distribute profits back to you. Loan interest refunds in the amount of \$32,000 were paid to member share accounts and reflected on their December 2019 statements. UChoose Rewards checking account bonuses were also redeemed in the amount of \$30,000. That is a total of \$62,000 put directly back into our member's pockets.

This is just one way our members can enjoy the benefits of belonging to a credit union where profits are returned to our member-owners.

Sincerely,
Mick Lay, Chairman

TREASURER'S REPORT



In 2019, Space City Credit Union had a net loss of \$165,057 after business expenses, dividends and our loan interest refund to membership. The primary cause of this loss were member loans that were not repaid, and subsequently needed to be charged off. The credit union had a profitable year aside from these charge off expenses. The Credit Union's capital to asset ratio remains solid at 9.86 percent, and Space City Credit Union remains a financially sound and federally insured financial institution.

As we head into 2020, please know that we are thankful for your continued support and participation in our financial cooperative. All departments remain committed to providing you with the highest level of service possible.

Statement of Income		
For Period Ending December 31, 2019		
	2019	2018
Income		
Loans	\$3,751,895	\$3,609,276
Investments	\$94,029	\$54,386
Other	\$1,771,408	\$1,807,214
Total Income	\$5,617,332	\$5,470,876
 Non-Operating Income/Expense	 \$13,061	 \$16,426
Income Before Dividends	\$5,630,393	\$5,487,302
Less: Dividends	\$757,894	\$600,415
 Less: Int on Borrowed Funds	 \$0	 \$49
Expenses		
Employee Compensation	\$2,144,181	\$2,121,546
Office Operations	\$985,334	\$925,428
Provision for Loan Losses	\$624,479	\$319,517
Operating Expenses	\$1,283,562	\$1,259,379
Net Income (Loss)	(\$165,057)	\$260,968
Allocation of Net Income		
To Regular Reserves	\$0	\$0
To Undivided Earnings	(\$165,057)	\$260,968

Statement of Financial Condition		
For Period Ending December 31, 2019		
	2019	2018
Assets		
Loans	\$68,860,376	\$66,343,379
Allowance for Loan Loss	(\$418,136)	(\$351,376)
Net Loans	\$68,442,240	\$65,992,003
Cash	\$1,038,108	\$1,790,307
Investments	\$9,366,104	\$5,216,438
Fixed Assets	\$5,373,403	\$5,376,234
Other Assets	\$4,881,102	\$4,918,697
Total Assets	\$89,100,957	\$83,293,679
Liabilities		
Notes Payable		
Accounts Payable	\$668,592	\$343,143
Other Liabilities	\$335,601	\$248,317
Total Liabilities	\$1,004,193	\$591,460
Savings Shares	\$79,779,010	\$74,114,446
Equity		
Regular Reserves	\$472,173	\$629,443
Undivided Earnings	\$5,188,002	\$5,961,835
Equity Acquired from Merger	\$2,657,579	\$1,996,495
Total Liabilities & Equity	\$89,100,957	\$83,293,679

For a more comprehensive snapshot of the Credit Union's financial performance, please review our consolidated statements of income and financial condition below.

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.

Space City Credit Union remains a healthy and sound financial cooperative. We are committed to making financial decisions to balance the cost of bringing the latest technology to our membership while remaining competitive with our interest rate and fee structure. Space City Credit Union delinquencies remain low at 0.42 percent, as compared to other Credit Unions our size with an average delinquency of 0.81 percent. This is a reflection of two things: the competitive rates we're able to offer and your strong commitment to honoring your financial obligations.

One of the main ways we can impact the financial soundness of our members is through prudent and cost-effective lending practices.

- It's a testament to our strength as a financial institution that so many of you are turning to your credit union for your home equity loan needs. In fiscal year 2019, our loan officers wrote over \$820,000 in home equity loans.
- Favorable interest rates and a strengthening economy motivated many of you to buy

new or previously owned vehicles. In fiscal year 2019, we wrote 768 auto loans worth more than \$22,343,544.

- You, the member-owners of this institution, borrowed \$32,829,904 which added more than 1,531 new loans in the 2019 fiscal year and reflects the continued optimism in our economy and trust in your credit union.

We will remain vigilant representatives of our members' interests, ensuring continued safety and soundness for your money as the Credit Union strives to provide you and your family with excellent member service. Below you will find a consolidated statement for your review.

Thank you,
Steve Hines
Chairman, Credit Committee

2019 LOANS

Loan Type	YTD # Loans	Amount	Percentage
New Autos	200	\$ 8,400,327.71	26%
Used Auto	568	\$ 13,943,216.05	42%
Signature	555	\$ 2,643,849.51	8%
Other Secured	193	\$ 2,902,684.24	9%
Visa Card Advances	-	\$ 5,378,107.54	16%
Loan Add Ons	-	\$ 997,369.18	3%
Real Estate, HE	15	\$ 821,800.00	3%
Refinances	-	\$ (2,258,450.23)	-7%
Totals	1531	\$32,828,904.00	100%

AUDIT COMMITTEE REPORT



Space City Credit Union's Audit Committee consists of three Credit Union members who volunteer their time to serve the membership. The Committee has the responsibility of working with the Management Team and the Board of Directors to ensure that Space City is operating in a safe and prudent manner and in the best interests of our members. To fulfill our responsibilities, we work with management to engage an auditing firm, currently Doeren Mayhew, to perform internal audits. We also utilize internal staff to perform audit functions and have the benefit of Federal and State examinations.

In 2019, Space City Credit Union underwent over 150 hours of internal auditing. Members of the Audit Committee met with our independent auditors and are pleased to report that all findings were minimal and immediately rectified by management. In 2019, we also

underwent a joint examination with the Texas Credit Union Department and National Credit Union administration. Based on the examiners' reports, internal audit reports, and the positive results received from our independent auditors, the Audit Committee remains confident that Space City Credit Union maintains adequate controls, complies with applicable laws and regulations, and is well managed and fiscally sound.

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 Space City Credit Union staff.

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 in and around the Houston area.

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 \$172,350 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 staff works hard to fund raise 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 2018 tournament had over 100 golfers and will allow Space City Charities to give away \$32,000 in scholarships in 2019. The scholarship recipients can be found below:

2019 Scholarship Recipients

Manish B.	\$2,500 Space City Charities Scholarship
Lida E.	\$2,500 Space City Charities Scholarship
Ms'staja B.	\$2,500 Space City Charities Scholarship
Kailey H.	\$2,500 Space City Charities Scholarship
Jacqueline V.	\$2,500 Space City Charities Scholarship
Peyton R.	\$2,500 Space City Charities Scholarship
Christina W.	\$2,500 Space City Charities Scholarship
Alyssa V.	\$2,500 Space City Charities Scholarship
Kate F.	\$2,500 Space City Charities Scholarship
Angela G.	\$2,500 Space City Charities Scholarship
Kimberly B.	\$2,500 B.C. "Buddy" Holcombe Scholarship
Xavier R.	\$2,500 Verna Wolf Scholarship
East End Chamber Scholarship	\$2,500 Space City Charities Scholarship
Total Scholarships 2019 Awarded	\$32,500

For more information on Space City Charities, please visit 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



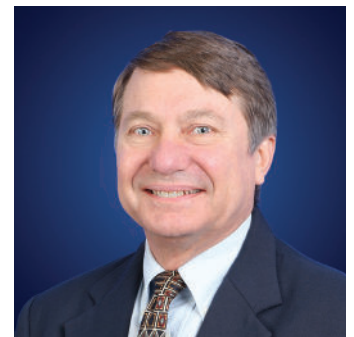
Jack Patton
Assistant Secretary
Board Member Since 2010



Craig Rohden
President/CEO Since 1994
Board Member Since 2001



Robert Sander
Director
Board Member Since 1980



Mark Heitker
Director
Board Member Since 2006



Bryon Hodges
Director
Board Member Since 2008



Matt Hayslip
Audit Committee
Member Since 2008



Rod Tejeda
Audit Committee
Member Since 2017

MANAGEMENT TEAM



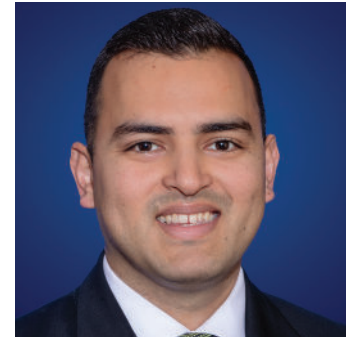
Nikki Moore
Chief Operations Officer
Team Member Since 2008



Paula Newkirk
VP of Lending & Collections
Team Member Since 2007



Jorge Amaya
AVP of Member Services
Team Member Since 2017



Aldo Aguilar
Senior Teller / Branch
Operations
Team Member Since 2007



Nicole Frausto
Senior Teller
Team Member Since 2009

E-Service Enrollment

as of December 31, 2019

Total Members: 8,808

	Members Enrolled	Penetration %
Audio Response	8,283	94.04%
Online Banking	4,903	55.67%
Bill Pay	737	8.37%
Mobile Banking (App/Web/Text)	3,254	36.94%
Mobile Deposit	3,128	35.51%
Finance Wizard	1,416	16.08%
Pop Money	712	8.08%
Credit Sense	1,920	21.80%
E-Statements	4,225	47.97%
E-Receipts	5,108	57.99%
E-Notices	2,413	27.40%
Debit Cards	5,149	58.46%
Uchoose Rewards	2,202	25.00%
Card Valet	1,558	17.69%