



# ANNUAL REPORT *2022*

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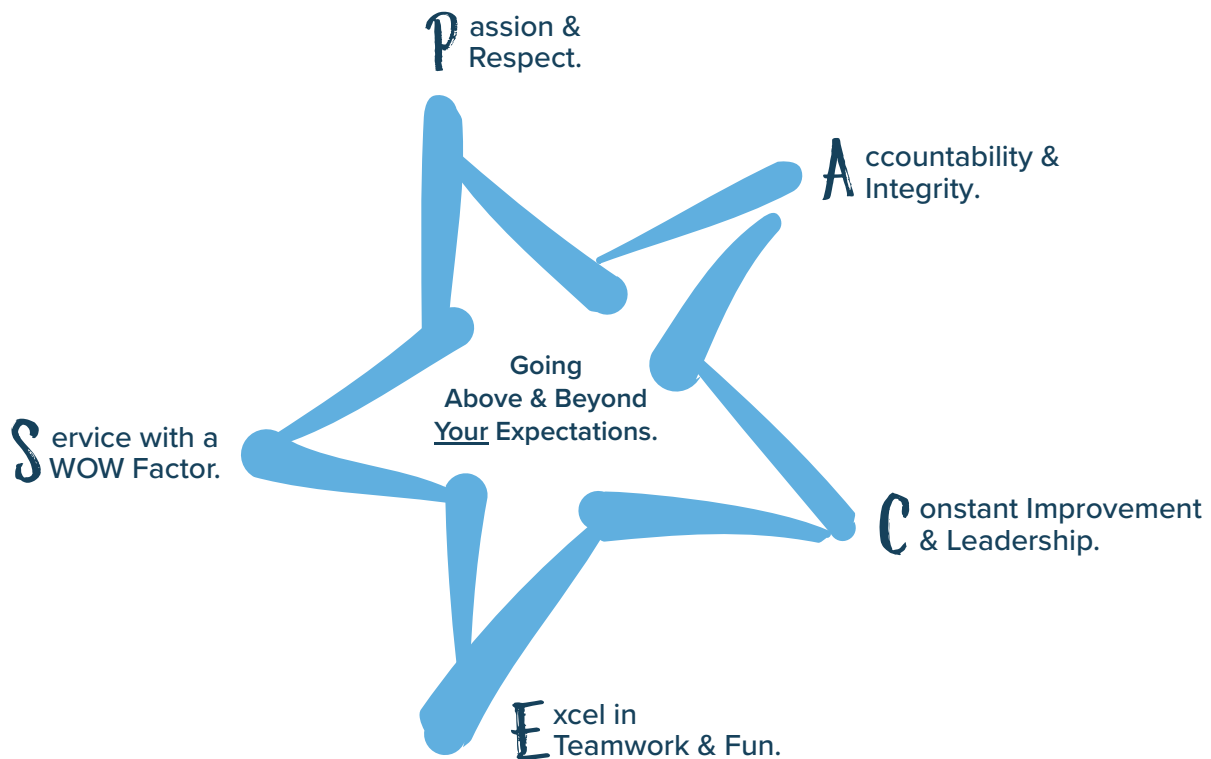


## OUR MISSION STATEMENT

Going Above and Beyond your Expectations.

## 9 CORE VALUES

These core values of our organization form the foundation on which we perform work, conduct ourselves, and service our members.



## 9 SUPPORTING VALUES

Be Accessible • Courage • Culture of Warmth • Embrace Change  
Empathy • Empower Others • Humble • Trust • Quality

## PRESIDENT'S REPORT



Good morning. I'm Craig Rohden, the Chief Executive Officer of Space City Credit Union. Welcome to our 2023 annual meeting.

As you know, the credit union industry is unique in its structure. Our

members are also our owners, and we are accountable to them - to you! As a member-owner, you make the decisions and participate with your vote. Being informed on our current state of affairs so that you can make intelligent choices benefits us all, so thank you for taking time out of your busy schedule to be here and take an active role in your local credit union!

### **Shifting Financial Landscape Post-Covid**

Since the start of the pandemic, members have recognized and valued the credit union difference, and have appreciated the ways their credit unions have helped them through these past several years with fewer disruptions. As the financial landscape continues to shift in a post-Covid world, Space City CU is working hard to shift with it and provide the best value and experience possible for our members. The pandemic caused the financial industry to rethink many of its standard business practices, working to come up with innovative and more efficient processes moving forward.

We've worked to:

- Upgrade our online and mobile banking
- Keeping fees low and refunding fees
- Develop financial literacy resources and tools.
- Have robust cybersecurity measures in place.

- Support advocacy and lobbying efforts on behalf of the credit union community.
- Continue our priority of outreach and involvement in our local communities.

And this is certainly not an exhaustive list. Let's expand on these a bit.

### **Online Banking**

Online banking is here to stay, and this move away from onsite services presents a challenge in order to create an experience that still feels personal but is also convenient and navigable. More and more members prefer to bank online, and easy to navigate websites and apps are a priority, so that even our less tech-savvy members can easily utilize them. Space City has worked to offer user-friendly, online options with the same personal touch you've come to expect from us for most of your financial needs, and they include:

- Mobile deposits
- Online bill pay
- Up-to-date account activity
- Cleared check images
- Statement access
- Fraud alerts
- Touch/face ID

### **Reduced and Eliminated Fees**

- Lower Overdraft Fees; our Overdraft fees have not increased in 20 years, still \$25, where the average bank's OD Fees are \$35
- Lower loan origination fees, much less than banks and in some cases zero.
- \$0 balance transfer fees on credit card balance transfers.

## PRESIDENT'S REPORT CONTINUED

Additionally, in 2022, **Space City CU returned \$175,000 to members** through our 7th annual bonus refund to members. On December 31, 2022, members with loans in 2022 received a 3% interest refund directly deposited to their savings account.

Additionally, checking account holders redeemed bonus rewards throughout the year after accumulating and redeeming rewards points while using their Space City CU debit card.

The \$175,000 represents about \$34 per member who had a loan. For those that redeemed debit card bonus points the amount is about \$72 per member. Since 2016, Space City CU has given back more than \$650,000 to members and plans to build on the program every year.

### Financial Literacy Resources and Tools

As a member of Cornerstone League, we've supported the development of the award winning Your Money Further educational website. Your Money Further was the winner of the 2022 dotCOMM Platinum Award for best financial website and is the industry's only national consumer facing website designed to deliver high quality financial services content through the voice and lens of the nation's credit union movement. It has garnered more than 23 million pageviews and more than 15 million consumer visits in the past year and features a robust blog and library of helpful articles on a number of credit union related topics, a credit union locator, and a credit union matcher.

We also partner with BALANCE. Whether you're interested in developing a workable spending and savings plan, getting out of debt, understanding and improving your credit report, buying a home, or plan-

ning for your financial future, Space City Credit Union wants to help. That's why we've provided access to free and confidential financial counseling and education through BALANCE. Check out our web site under the "Resources" tab and "Financial Assistance".

### Cybersecurity

Along with the convenience that technology brings, we must be aware of the risks that come along with it, such as:

- Phishing
- Ransomware
- Password reuse
- Data theft
- Cloud security

Here at Space City we've taken steps to safeguard both your assets and your data and privacy. We've been hard at work educating our employees about cybersecurity through our partnership with a leading cybersecurity training firm. Our employee training program includes videos and other online training programs, including simulated email scams that employees must pass, among other aspects.

Additionally, we've increased investment in cybersecurity technology, auditing, and staffing. In the past these measures were not as crucial, but as criminals become more sophisticated, today's risks have increased exponentially and we need to be prepared.

### Advocacy and Lobbying Efforts

On the legislative front, we supported efforts to defeat the recent Credit Card Competition Act, an amendment to the National Defense Authorization Act. The legislation would have created new routing



## PRESIDENT'S REPORT CONTINUED

mandates that would have affected the way financial institutions issue credit, and potentially put consumers' data privacy at risk.

### Community Outreach

As your local, hometown credit union, we are also dedicated to being visible and involved in our local community. In 2022, we partnered with the Houston Chapter of CUs to raise and donate over \$50,000 to children's charities in Houston and surrounding counties. In late December, the Houston Chapter of CUs donated and delivered checks to the following charities:

- Texas Children's Hospital
- Shriner's Hospital for Children – Galveston
- The Sunshine Foundation
- Kids' Meals Houston
- Galveston Diaper Bank

Also in 2022, the Houston Chapter of Credit Unions were able to collect over 700 toys for children in need this holiday season! Chapter board members delivered the truckload of toys to B.E.A.R. – A Resource for CPS Kids right before Christmas this year. We hope we were able to bring smiles to many kids faces!



Also in 2022, Space City CU contributed over \$50,000 to local community and charitable organizations, here are just a few:

- INEOS ICANN Foundation
- Brazosport ISD Education Foundation
- The Center for Pursuit
- Houston Profession Musicians Association
- East End Chamber of Commerce
- UNICEF (Ukraine)
- The Morales Memorial Foundation
- East End Street Fest
- Walk for the Woods Project

And congratulations to our 2022 Space City Charities Scholarship recipients who received scholarships totaling \$27,500.

Since 2011 Space City Charities has awarded over \$259,850 to deserving students. Space City Charities seeks to provide financial assistance to deserving students eager to further their education. We are able to accomplish this through our annual Wolf Scholarship Golf Classic. Visit [www.SpaceCityCharities.org](http://www.SpaceCityCharities.org) for information on how to get involved.

### Texas Specific Issues

In addition to nationwide trends in the financial landscape and economy, there have been localized effects felt here in Texas from issues such as:

- A polarized political landscape.
- Concerns about health care accessibility and costs.
- Continuing concerns over our power grid and infrastructure.
- Rising food, gas, and energy prices.
- A still competitive but cooling housing market.
- Climbing mortgage interest rates.

## PRESIDENT'S REPORT CONTINUED

Space City CU is aware these issues present unique challenges for our members and we're dedicated to continuing to listen to your suggestions and feedback and exploring the best ways to support you as you navigate these circumstances.

The overall picture for credit unions in Texas is encouraging. According to the Credit Union National Association's 2022 mid-year report:

- Texas currently has 424 credit unions headquartered in the state, with membership of 10,181,0166, representing 6.9% market share of deposits in the state, a growing, but still small, sector of the state's financial sector.
- Our average loan interest rates are significantly lower, offering substantial savings to our members, often by several percentage points. For example, the average used auto loan rate was 3.28%, compared to a bank's average 5.54% rate.

Since credit unions are not-for-profit financial cooperatives and, unlike banks, have no shareholders demanding a market return on their investment, we are able to pass profits on to our member-depositors in the form of lower loan interest rates, higher yields on savings, and fewer/lower fees.

In Texas, this translated into member benefits of:

- \$102.5 million higher yield on savings
- \$138.7 million saved on fees
- \$1,066.5 million saved on loan rates

This adds up to an impressive total of \$1,308 million in member benefits! And of course, none of this would be possible without the participation and input of members like you!

### Closing Remarks

Meeting the challenges presented by our current economy, political landscape, infrastructure, and environment head on, and working to continue to embrace digital technologies and transform into a modern and flexible business that serves our members and our community is a top priority for Space City CU. We are **your** credit union, here to serve **you**, and we couldn't do it without your input and involvement! As our member-owners, you are integral to our credit union family, and we are sincerely grateful that you've chosen Space City CU as your financial partner. We wish you a healthy and prosperous 2023.

Thank you.  
Craig Rohden, CEO

## CHAIRMAN'S REPORT



Welcome to the 58th annual meeting of Space City Credit Union. Our success depends on the proactive interest and involvement of our member-owners, and we appreciate each and every one of you.

As we continue to adjust to a post-pandemic world,

Space City CU continues to perform quite well in this new economic landscape, as we will see in the Annual Report for fiscal year 2022. Let's look at a few highlights:

- Space City CU currently has 12,237 members. As of 2021 we had 8,902. This represents an increase of 37.5 percent over the prior fiscal year.
- One of the primary indicators of how well our members are receiving the products and services we offer is our growth in assets and membership. Our current assets are \$148.3M, an increase over 2021 of 37.5 percent.
- Space City continues to be a well-capitalized financial institution, with a strong net worth ratio of 13.83 percent. To put that in perspective, a net worth position above 7 percent is considered well capitalized by our regulators.
- In total, our 12,237 members have added more than \$28.5M to their savings accounts.
  - With uncertainty in the current economy, rising food, energy and gas costs, and climbing interest rates, this is encouraging! Our hope is that our efforts to offer incentives such as debit card rewards, loan interest refunds, lower minimum balance requirements, high yield interest options, have played a role in this trend. (a merger with Brazosport Teachers FCU also contributed to the increase).
- You, the member-owners of this institution, have borrowed more than \$45.7M, which added 1,965 new loans in the 2022 fiscal year. Thank you for trusting Space City for your lending needs!
- As loan demand increased 36%, delinquencies remain very low at 0.43% percent, this is below our peer group. This reflects the competitive rates Space City is able to offer, despite the upward trend in interest rates we've seen nationally.
- Although supply chain issues have continued to contribute to parts and inventory shortages for new vehicles, Space City still wrote 220 new and used auto loans worth more than \$10.2M.
- Loans for previously owned vehicles continued at a steady pace. In fiscal year 2022, Space City wrote 507 used auto loans worth more than \$15.8.

One of the benefits of credit union membership is the opportunity to share in the profits. Though we do need to cover our operating expenses, our members are always our top priority, and whenever we can, in keeping with our credit union mission, we will distribute profits back to you.

Last year, Space City performed so well that we generated \$1.6M in net income in the 12 months that ended 12/31/22. As a result, we were able to pay out special year-end loan interest refund and debit rewards to our members totaling \$175,000. This represents about \$34 per member who had a loan and for those that redeemed debit card bonus points the amount is about \$72 per member.

Deposited refunds were paid to member share accounts and reflected on their 12/31/22 statements.

The opportunity to share in the profits is just one of the unique benefits of credit union membership.



As a financial cooperative, one of our priorities is to actively engage in service groups and organizations that support institutions like us. For instance, our membership in Cornerstone League, our regional credit union association, allows us to benefit from the advocacy, education, tools, and resources that are designed to support our endeavors and, by extension, you—our members.

### Awards and Recognition

Our strong performance last year didn't go unnoticed. Space City takes great pride in having achieved the rank of 36 out of the S&P Global top 100 Credit Unions in the country in 2022.

To compile this ranking, S&P Global Market Intelligence calculated scores for each company based on five metrics: member growth; total number of loans per member; net worth as a percentage of total assets; delinquent loans as a percentage of total loans; and return on average assets. Each company's standard deviation from the industry mean was calculated for every ranking metric, weighted equally, then combined to derive a performance score. To help normalize the data and mitigate the impact of outliers, caps and floors were applied for each metric.

Criteria for the rankings included credit unions with more than \$100 million in total assets and a net worth ratio of at least 7% as of Dec. 31, 2022. Based on these criteria, 1,797 credit unions qualified for the ranking.

On a more local basis, Space City is proud to have achieved high rankings in the Glatt Consulting Group's HealthScore Report.

To arrive at a credit union's HealthScore, Glatt graded individual credit union performance for each of 17 different ratios, including Net Worth, Loan Growth, Deposit Growth, and Return on Assets, among others. The ratios included in the HealthScore were selected for their strong relationship to sound credit union performance, which they determined following a statistically sound correlation study.

- At the State level, there were 420 credit unions and Space City ranked #12.

- At the Local level, there were 57 credit unions and Space City ranked #4.

I'd like to recognize my fellow board members for their dedication to this credit union. United in leadership, we are responsible for ensuring your credit union has a capable, qualified, and transparent management team, and I can say without hesitation that we do. The strength of this board's commitment to the highest standards of governance and management is integral to Space City's well-being, sustainability, and prosperity.

In this post-pandemic era, every organization must evolve to better meet new challenges. With that in mind, we have made an important change to our bylaws. Based on any organizations need to grow, Space City's board of directors elected to increase the size of our field of membership, going from a ten-mile radius around our branch network, to include all of Harris County. We did this, as always, with our member-owners in mind, and we're excited about the positive effects this change will bring. As a result of our merger with BTFCU, we now have Harris and Brazoria Counties as our field of membership.

Please indulge me while I take a moment to express my deepest confidence in the leadership of our CEO, Craig Rohden, 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. The last several years have presented many changes and challenges, and as we've adapted, together we have proven that we are more than capable of facing any new challenges and opportunities we may encounter in 2023. Thank you, ladies and gentlemen. I wish you and your families the very best.

Buck "Mick" Lay Jr.  
Chairman of the Board



## CHIEF OPERATIONS OFFICER REPORT



The entire Space City leadership team is dedicated to broadening our product offerings and enhancing the capability to serve you more quickly and efficiently. Last year saw sweeping improvements within our organization and services. Last year saw the

successive implementation of many new products and services. Some of these new features were external member-facing changes, and others were internal upgrades to allow for enhanced functionality for staff.

Our online banking suite received an entire overhaul, as we converted to Corrillian. Our new online banking suite is state of the art and has services like a free account aggregation tool, free credit reports and scores, and we also increased our e-statement retention history to 18 months. External transfers are now easier than ever, and we even have a suite of video tutorials to educate all members on how to use each function.

Along with the online banking overhaul came upgrades to our mobile application as well. Our prior app, Card Valet, that contained debit card controls was replaced by a new fully integrated feature in our mobile application, Card Hub. The enhanced functionality allows members to set spending limits, turn their card on/off, and see spending patterns. Also, it allows members to see their UChoose Rewards debit card points right from the app!

Our phone system was upgraded to allow for greater mobility of staff around the branch and remotely. Physical phones were swapped for computer based consoles with headsets, and we expanded our call center to allow for faster response times to incoming phone calls. We also implemented lobby management software to ensure members are being assisted quickly and efficiently anytime you are in branch.

Behind the scenes, the accounting department saw an expansion of their capabilities in their software suite to allow for more efficient balancing of general ledgers and tracking of fixed assets.

Last year we also saw the merger with BTFCU increase our assets to \$150 million! Space City was able to leverage the online application technology from Brazosport Teachers and upgrade our online banking and loan applications for all members. We were also able to introduce instant issue debit card printing capability to the Clute branch, to make obtaining a debit card even quicker and easier for former BTFCU members. We welcome all former BTFCU members to the Space City family, and look forward to serving you in the years to come.

It is often said that time is filled with swift transition, and 2022 was no exception. I am extremely proud to work alongside our dedicated team and am thankful for their support and contributions to the collective. We look forward to serving you in the future.

Nikki Moore-Owens  
Chief Operations Officer

## TREASURER'S REPORT



In 2022, Space City Credit Union had total net income of \$1,601,999 after business expenses, dividends, and our loan interest refund to membership. As a result of our robust earnings and asset growth from the BTFCU merger, the credit union's capital to asset ratio increased from 9.18 percent to 13.83 percent.

Space City Credit Union remains financially sound and committed to offering best in class financial services to its members. For a more comprehensive snapshot of the Credit Union's financial performance, please review our consolidated statements of income and financial condition.

Regards,  
Robert "Bob" Sander, Treasurer

Statement of Income		
For Period ending December 31, 2022		
Income	2022	2021
Loans	\$4,585,107	\$3,642,048
Investments	\$486,748	\$31,605
Other	\$2,647,905	\$2,135,585
<b>Total Income</b>	<b>\$7,719,760</b>	<b>\$5,809,239</b>
Non-Operating Income/Expense		
Income	(\$910,271)	(\$1,942)
(Before Dividends)	<b>\$6,809,490</b>	<b>\$5,807,297</b>
Less: Dividends	\$849,841	\$624,100
Less: Int. on Borrowed Funds	\$14	\$26
<b>Expenses</b>		
Employee Compensation & Benefits	\$2,818,013	\$2,035,919
Office Operations	\$1,345,285	\$910,724
Provision for Loan Losses	\$79,829	\$210,614
Operations Expense	\$114,508	\$1,246,193
<b>Net Income (Loss)</b>	<b>\$1,601,999</b>	<b>\$779,721</b>
<b>Allocation of Net Income</b>		
To Regular Reserves	\$0	\$0
To Undivided Earnings	<b>\$1,601,999</b>	<b>\$779,721</b>

Statement of Financial Condition		
For Period ending December 31, 2022		
	2022	2021
<b>Assets</b>		
Loans	\$100,640,150	\$73,802,318
Allowance for Loan Loss	(\$271,780)	(\$448,855)
<b>Net Loans</b>	<b>\$100,368,370</b>	<b>\$73,353,463</b>
Cash	\$7,315,734	\$605,809
Investments	\$26,016,900	\$23,289,115
Fixed Assets	\$3,635,193	\$5,165,539
Other Assets	\$10,796,804	\$5,307,088
<b>Total Assets</b>	<b>\$148,133,001</b>	<b>\$107,721,013</b>
<b>Liabilities</b>		
Notes Payable	\$0	\$0
Accounts Payable	\$1,292,956	\$409,364
Other Liabilities	\$659,436	\$463,897
<b>Total Liabilities</b>	<b>\$1,952,392</b>	<b>\$873,261</b>
<b>Shares</b>	<b>\$125,960,267</b>	<b>\$97,424,430</b>
<b>Equity</b>		
Regular Reserves	\$472,173	\$472,173
<b>Undivided Earnings</b>	<b>\$7,833,420</b>	<b>\$6,293,571</b>
Equity Acquired from Merger	\$11,914,749	\$2,657,579
<b>Total Liabilities &amp; Equity</b>	<b>\$148,133,001</b>	<b>\$107,721,013</b>

## LENDING REPORT



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.

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 breakdown of total loans booked in 2022 for your review.

Thank you,  
Paula Newkirk  
Vice President of Lending & Collections

In 2022 we increased our loan volume by \$26,837,831, a big part of our loan growth in 2022 was due to merger with Brazosport Teachers Federal Credit Union. You, the member-owners of this institution, borrowed \$45,719,520 which added more than 1965 new loans in the 2022 fiscal year. We are thankful that you entrusted your business to Space City Credit Union. We value your membership and are grateful to help our members meet the financial commitment for important life decisions.

One of the main ways we can impact the financial soundness of our members is through prudent and cost-effective lending practices. Space City Credit Union delinquencies remain low at 0.42 percent, as compared to other Credit Unions our size with an average delinquency of 0.53 percent. This reflects the competitive rates we are able to offer and your strong commitment to honoring your financial obligations.

2022 LOANS			
Loan Type	YTD # Loans	Amount	Percentage
New Auto	220	\$ 10,222,823.08	22%
Used Auto	507	\$ 15,814,677.28	35%
Signature	1044	\$ 3,944,370.91	9%
Other Secured	138	\$ 2,113,459.31	5%
Real Estate, HE	48	\$ 7,462,420.09	16%
RE MBLs <50k	0	\$ -	0%
RE MBLs >50k	0	\$ -	0%
Instrument Loans	8	\$ 498,170.25	1%
Credit Card Advances	-	\$ 7,387,946.27	16%
Loan Add	-	\$ 602,440.80	1%
Refinances	-	\$ (2,326,787.87)	-5%
<b>Total</b>	<b>1965</b>	<b>\$ 45,719,520.12</b>	<b>100%</b>

## AUDIT COMMITTEE REPORT



Throughout 2022, Space City Credit Union's Audit Committee consisted 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 worked with management to engage the auditing firm Doeren Mayhew, to perform both our Supervisory Committee Audit and additional internal audits.

Space City Credit Union underwent 150 hours of internal auditing. We also utilize internal staff to perform audit functions and have the benefit of Federal and State examinations. 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.

Based on our last examiners' report, internal audit reports, and the positive results received from our independent auditors and member surveys, 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.

We appreciate the opportunity to serve the membership and encourage all members to take advantage of the many services and benefits offered by your credit union.

Sincerely,  
Jack Patton - Chairperson, Rod Tejada, Stephen Quezada

## Year in Review 2022



*Audits* - 7 External, 2 Internal, 160 Internal Audit Hours

### *Upgraded Banking Experience*



- Corillian Online Banking
- Enhanced E-Statement History – Increased from 13 to 18 Months
- New Account Aggregation Tool
- Originate New Member Application
- Started Call Center

### *Mobile Enhancements*

- Apple/Google/Samsung Pay
- Enhanced Mobile App – Cardhub, E-statements

### *New Products & Services*



- New Phone System with Soft Phones
- Enhanced Accounting Suite
- New Instant Issue Printers & Software
- Enhanced Employee Account Security
- Lobby Tracking Software



*Dormant Accounts*  
\$23,169.26 and 94

*Real Estate Lending* - \$7,462,420  
*Skip Payments Processed* - 1012



*Space City Charities*  
Awarded \$27,500  
in Scholarships

*Over \$175,000 given back to  
our members!*

\$122,000 Loan Interest  
Refunded to Members

\$53,000 in uChoose Rewards  
Prize Redemptions

*The merger with BTFCU increased our assets to  
\$150 Million!*



## 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



Jack Patton  
Assistant Secretary  
Board Member Since 2010



Mark Heitker  
Director  
Board Member Since 2006



Matt Hayslip  
Director  
Member Since 2008



Robert Sander  
Director  
Board Member Since 1980



David Bacica  
Director  
Board Member Since 2008



Darla Baines  
Director  
Board Member Since 2008



Sammye Moore  
Director  
Board Member Since 1997



Rod Tejeda  
Audit Committee  
Member Since 2017



Stephen Quezada  
Audit Committee  
Board Member Since 2019

## MANAGEMENT TEAM



Craig Rohden  
President/CEO  
Team Member Since 1994



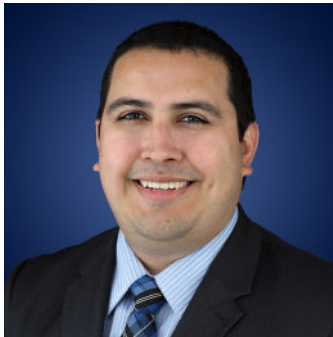
Nikki Moore  
Executive Vice  
President/COO  
Team Member Since 2008



Paula Newkirk  
VP of Lending & Collections  
Team Member Since 2007



Aldo Aguilar  
Business Development  
Manager  
Team Member Since 2007



Eddie Soto  
Loan Manager  
Team Member Since 2015



Michelle Williams  
Vice President of  
Administration  
Team Member Since 2022



Tifini Abshire  
Accounting Manager  
Team Member Since 2018



Tamekia Griggs  
Clute Branch Manager  
Team Member Since 2016



Veronica Lopez  
Clute Assistant Branch  
Manager  
Team Member Since 2015