



**COMMUNITY SERVICE
CREDIT UNION**

2020

**ANNUAL
REPORT**



Welcome to the first virtual Annual Member Meeting

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May 30, 2020

Agenda

Welcome and Invocation

Ascertainment of Quorum

Call to Order

Appointment of Recording Secretary

Introductions

Approval of the Minutes of the 2019 Annual Meeting

Chairman's Report

CEO's Report

Report from the Nominating Committee

Adjournment

Drawing of Door Prizes

MINUTES OF THE 2019 ANNUAL MEETING

The Annual Meeting of the membership of Community Service Credit Union was called to order by the Chairman of the Board, Mr. Wayne Scott, on Saturday, April 27, 2019, at 10:00 a.m., at Faith Lutheran Church. After determining that a quorum was present, Ms. Lisa Byrd was appointed Recording Secretary.

Mr. Scott welcomed everyone to the 65th Annual Meeting of Community Service Credit Union and introduced the Board of Directors in attendance: Messrs. Jack Parker, Vice Chairman; S.O. Woods Jr., Treasurer; Paul Brown, Secretary; John Burney, Director; Mike Countz, Director; Dewitt Oleinik, Director; and, Mrs. Ferne Frosch, Associate Director. Mr. Scott also recognized past Board members in attendance: Messrs. David McNutt, Mike Turner and John Bradley. Mr. Scott then requested CSCU's Chief Executive Officer, Ms. Brenda Hooker, come up and recognize the staff of CSCU. Ms. Hooker requested all the employees of CSCU to please stand. Ms. Hooker reported that Ms. Carol Sullivan, Mr. Todd Armstrong and Ms. Patsy Lindamood were staff members who were not able to be here today but were very much appreciated for how hard they work for the membership of the credit union. Ms. Hooker thanked all the employees for their service to CSCU.

Mr. Scott asked if there were any corrections, deletions or additions to the minutes of the 2018 Annual Meeting of Community Service Credit Union. There being none, a motion to approve the minutes of the April 28, 2018 Annual Meeting was made by Mr. Mike Turner, seconded by Mr. David McNutt and approved unanimously.

Mr. Scott then presented the Chairman's Report recognizing his fellow board members for their leadership, dedication and passion for this credit union. Mr. Scott attributed CSCU's long-term sustainability and prosperity to the strength of their commitment to CSCU. Mr. Scott reported that CSCU performed well in 2018: CSCU ended 2018 with Membership at 11,236; Assets were \$97,009,818; a strong net worth ratio of 10.8%; savings accounts grew by \$1.5 million; over \$77 million in total loans and delinquencies remained low at .32% of total loans. The Board engaged the CPA firm of Nearman, Maynard and Vallez, reported Mr. Scott, to perform an opinion audit of the credit union for the period ending September 30, 2018. The Firm rendered an opinion that our financial statements fairly represent the financial position of the credit union and that the results of its operations are in accordance with generally accepted accounting principles. The Firm also conducted a verification of member accounts with no findings. Mr. Scott also reported that there were two changes to the senior management staff of CSCU: Mr. John Hendricks as Chief Lending Officer and Ms. Jennifer Goodall as Chief Operations Officer. Mr. Scott expressed his confidence in their abilities to lead us into the future. In closing, Mr. Scott expressed his deepest confidence in the leadership of Ms. Brenda Hooker, the wisdom and guidance of our esteemed Board of Directors, the commitment of the dedicated staff, and the support and loyalty of our member-owners.

Mr. Scott reported that there were not any expiring Board positions this year so he would welcome our CEO, Ms. Hooker, to give the CEO's Report.

Ms. Brenda Hooker reported that being in operation for 65 years was something to be proud of; and for her, working at CSCU for 35 years, more than half of her life, has been very meaningful. Ms. Hooker recalled the members over the years who were so thankful for the credit union in their time of need and the foresight of the prison officials who established the credit union in 1954 to meet these needs of the prison employees and their families. Ms. Hooker reported on some of the highlights of the past 65 years of CSCU's history. In 1958, Texas Prison Employees Credit Union became the Department of Corrections Employees Credit Union; in 1985, CSCU acquired its first computer system; in 1986, the location at FM

2821 was built; in 1987, the first ATM cards were issued; in 1988, the Department of Corrections Employees Credit Union became Community Service Credit Union; in 1991, the first ATMs were purchased and the first Audio Response Unit was provided to the membership providing banking information by telephone to the membership; in 1995, Texas credit unions formed the Texas Shared Branch Association which is now nation-wide; in 1998, our first website was operational; in 2000, a Spanish version of the ARU system, Tele Access, was provided; in 2001, internet banking was provided; in 2005, the Federal Reserve began receiving check images electronically; in 1999, staff members endured Y2K. The world has changed a lot in the last 35 years and one of the things we spend a lot of time on is system protection, data protection and fraud protection & prevention. Ms. Hooker reported that the most vulnerable is the elderly and the young. Ms. Hooker requested the membership talk to their kids, parents and spread the word; financial education is lacking. In closing, Ms. Hooker reported that CSCU is a state-chartered, federally insured financial institution and therefore the federal government has an interest in its sound operation. The federal government has a pilot program beginning this year: 16 credit unions out of Texas' 461 credit unions were chosen for a joint examination and CSCU was selected as one of these 16. This year, federal examiners will lead CSCU's examination. Ms. Hooker reported that the exam will be challenging but she was honored that CSCU was chosen. Rest assured, Ms. Hooker reported, we are committed to the safe and sound operation of what is now a \$100-million-dollar credit union that will take us well into the future.

Mr. Scott reported that this concluded the business portion of the Annual Meeting. Mr. John Bradley moved to adjourn the meeting at 10:20 a.m., Mr. Mike Turner seconded, and the motion was unanimously approved.

Paul D. Browder
SECRETARY



CHAIRMAN'S REPORT

Welcome to the 65th annual meeting of Community Service Credit Union.

In the past 65 years, we have been able to meet, eat, and fellowship as a group for this event, but this year is a little different. With your safety in mind, as well as the safety of our dedicated board and staff, we chose to conduct this year's meeting virtually. For those of you attending this meeting, I want to thank you for being here. And thank you for being truly connected member-owners.

I'd like to take this moment to recognize my fellow board members: Mr. S.O. Woods, Vice-Chairman, Mr. Paul Brown, Secretary, Judge Mike Countz, Treasurer, Mr. John Burney, Mr. Dewitt Oleinik, Mrs. Ferne Frosch, and Mr. Jerry Larrison. This board has been and will continue to be committed to the long-term sustainability and prosperity of CSCU. It is our pleasure to serve the members and staff of the credit union. We take responsibility for ensuring that we have an experienced and trustworthy management team, and I can say with certainty that we do.

At this time, I will call for the approval of last year's minutes. Since we are not meeting face to face, we asked all of you to approve our minutes electronically. We appreciate you doing this, and I can say that we have approvals from the majority of our registrants.

As you can see in the Annual Report, Community Service Credit Union performed well in the fiscal year 2019. Some of the highlights of that report include:



Our December 2019 assets were \$102,657,925, which was an increase over December 2018 by almost 6%.



Regulators consider a net worth position over 7% well-capitalized, and I'm very pleased to announce that this year CSCU is yet again a well-capitalized financial institution, with a strong net worth ratio of 11%.



Over the course of 2019, our members have added almost \$3 million to their savings accounts.



Member-owners of this institution, borrowed more than \$45 million in 2019, which added more than 3,000 new loans.



Delinquencies remained low last year, which reflects our staffs' ability to make favorable loans, and our members' promises to deliver on their financial obligations.

An independent opinion audit was conducted by CPA firm, Nearman, Maynard and Vallez. The financial statements referred to presented fairly, in all material aspects, the financial position of Community Service Credit Union as of September 30, 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In addition, we have made a change to our board of directors. It was with deep sadness that we said goodbye to long-term board member, Jack Parker. Jack served as our vice chair for many years. He was particularly fond of our monthly Asset Liability Management meetings, where his presence will be missed. Jack's vacancy allowed us to welcome Mr. Jerry Larrison to our board as Associate Director. Jerry, welcome. We are confident that your knowledge and experience will be a great asset to our group.

In closing, I'd like to express my genuine confidence in the leadership of our CEO Brenda Hooker, 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. Although the future of our nation, our community, and our organization may look a little different, I am optimistic about any additional challenges we may face this year.

Thank you, ladies and gentlemen. I wish you and your families the very best in 2020.

Wayne Scott
CHAIRMAN



CEO'S REPORT

Good morning and welcome to the 2020 Annual Meeting of Community Service Credit Union.

I'm delighted to be here with you, virtually, at our 65th annual meeting.

When you joined our credit union 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 CSCU, and it empowered your voice in your financial institution. Credit unions operate on a "people helping people" philosophy, so your deposits contribute to the growth and potential of your 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 accountholders. 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 CSCU. 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.

Since our credit union's founders opened for business in 1954, we've grown from 55 members to over 11,000 members. Our assets have grown from \$10,000 to over \$100 million. 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.

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 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.

Our commitment to community is just one of the things that make credit unions different from other financial institutions. Normally, at this time, I would outline some of the ways we've given back to the community over the past year, but in light of COVID-19, I'd like to take this moment to highlight some of the things our dedicated staff has accomplished during this time.



Our doors were closed on March 23, 2020, and all of our services were switched over to our drive-thru at our FM 2821 location. At the time, we weren't sure what to expect, or how our business would be affected. The financial industry is considered an essential service, so our top priority was to ensure you had access to us, while at the same time adhering to guidelines from local government, and keeping our members and staff safe.



Staff has proved each week that they can weather whatever we have faced, and will face, during this pandemic. Many staff had to move to working off-site, which meant additional training on their part, as well as keeping up with their work, and adapting to a new normal. Their commitment to you, and to the credit union, has made me very proud to lead this organization.



Communication has been key throughout this time. We've sent regular updates via email, Facebook, and Instagram, letting our members know about any upcoming changes. We plan to continue staying in touch with you through these same channels.



COVID-19, unfortunately, resulted in job losses across the nation, and our community was not immune to that fact. Our team has worked tirelessly with you, our members, to account for any loss of income. If you find yourself needing assistance because of COVID-19, please do not hesitate to contact us. You are not in this alone.

We will continue to make changes and adapt to whatever comes our way. Please use this opportunity to check your personal information on file so that you can receive our most up to date communications.

As we move into 2020, we promise that CSCU will continue to grow responsibly while listening and responding to your needs. We know that you have many choices when it comes to a financial institution, and your trust in us is not taken lightly. Thank you for choosing CSCU. We wish you a healthy and prosperous 2020.



Brenda Hooker
CEO

FINANCIAL REPORT

2019 STATEMENT OF FINANCIAL POSITION

	DEC. 31, 2018	DEC. 31, 2019
ASSETS		
Loans, Net of Allowance	\$77,451,982	\$79,735,421
Cash and Cash Equivalent	\$7,203,179	\$16,407,297
Investments	\$3,117,775	\$684,598
Accrued Interest	\$208,987	\$231,711
Buildings and Equipment	\$3,980,714	\$3,800,571
National CU Share Insurance Fund Deposit	\$840,713	\$837,201
Other Assets	\$4,206,468	\$961,127
TOTAL ASSETS	\$97,009,818	\$102,657,926
LIABILITIES AND MEMBER DEPOSITS		
LIABILITIES		
Accounts Payable	\$1,283,567	\$821,472
Other Payables	\$615,753	\$761,498
TOTAL LIABILITIES	\$1,899,320	\$1,582,970
MEMBER DEOSITS		
Regular Shares	\$34,234,254	\$37,195,182
Checking	\$23,960,469	\$25,834,600
Certificates of Deposit	\$11,467,152	\$10,951,971
IRA Certificates of Deposit	\$2,034,021	\$1,974,177
Money Market Accounts	\$10,932,941	\$10,888,153
Other Savings, Including IRA Savings	\$2,103,379	\$1,142,000
Brokered Deposits	\$0	\$1,142,000
TOTAL DEPOSITS	\$84,732,216	\$89,736,594
Reserves and Undivided Earnings	\$10,378,282	\$11,338,362
TOTAL LIABILITIES, MEMBER DEPOSITS, AND RESERVES	\$97,009,818	\$102,657,926

FINANCIAL REPORT

2019 STATEMENT OF INCOME AND EXPENSES

	DEC. 31, 2018	DEC. 31, 2019
INCOME		
Income from Loans	\$3,847,743	\$4,287,014
Income from Investments	\$181,404	\$192,546
Other Income	\$2,933,257	\$2,897,516
TOTAL OPERATING INCOME	\$6,962,504	\$7,897,516
EXPENSES		
Compensation and Benefits	\$2,149,345	\$2,154,576
Training and Conference	\$34,289	\$48,825
Office Occupancy Expenses	\$289,061	\$288,442
Office operations Expenses	\$644,653	\$640,163
Marketing and Education	\$215,244	\$228,505
Loan Servicing, including Collections	\$324,235	\$327,532
Professional Services	\$1,917,294	\$2,121,152
Other Operating Expenses	\$102,504	\$91,265
TOTAL OPERATING EXPENSES	\$6,064,361	\$6,121,144
INCOME FROM OPERATIONS	\$898,143	\$1,255,932
NON-OPERATING GAIN (LOSS)	(\$4,675)	(\$15,793)
TOTAL DEPOSITS	\$84,732,216	\$89,736,594
DIVIDENDS AND INTEREST PAID TO MEMBERS	\$217,030	\$326,929
NET INCOME	\$658,788	\$944,796

Board of Directors

WAYNE SCOTT
CHAIRMAN

Term Expires 04/2021

S.O. WOODS
VICE CHAIRMAN

Term Expires 04/2021

JUDGE MIKE COUNTZ
TREASURER

Term Expires 04/2023

PAUL BROWN
SECRETARY

Term Expires 04/2023

JOHN BURNEY
DIRECTOR

Term Expires 04/2021

FERNE FROSCH
DIRECTOR

Term Expires 04/2023

DEWITT OLENIK
DIRECTOR

Term Expires 04/2023

JERRY LARRISON
ASSOCIATE DIRECTOR

Executive Management

BRENDA HOOKER
CHIEF EXECUTIVE OFFICER

36 Years of Service

PATSY LINDAMOOD
CHIEF FINANCIAL OFFICER

8 Years of Service

LAURA SHOTWELL
CHIEF GROWTH OFFICER

14 Years of Service

JOHN HENDRICKS
CHIEF LENDING OFFICER

1 Year of Service

JENNIFER GOODALL
CHIEF OPERATIONS OFFICER

12 Years of Service

MARY DYE
CHIEF RISK OFFICER

31 Years of Service

Staff with 5+ Years

CAROL SULLIVAN
SR. LOAN OFFICER

35 Years of Service

LISA BYRD
RISK MANAGEMENT ASSOCIATE

31 Years of Service

TODD ARMSTRONG
VP OF LENDING

10 Years of Service

BETH LEGG
ACCOUNTANT

8 Years of Service

LESLIE ZIMMERMAN
ACCOUNTANT

8 Years of Service

ELLEN KNOUSE
PERSONAL BANKER

7 Years of Service

AMANDA ROSENLUND
ACCOUNTANT

7 Years of Service

LETI WHEELER
RISK MANAGEMENT ASSOCIATE

5 Years of Service

VERONICA MCMILLIAN
SR. LOAN OFFICER

7 Years of Service



Staff

**ABBAGAIL SHERLING
PERSONAL BANKER MANAGER**

**ALEXANDRA MCKINNEY
DIGITAL SERVICES MANAGER**

**ANGEL MERINO
PLASTIC CARDS MANAGER**

**BRANDI WHEATON
RISK MANAGEMENT ASSOCIATE**

**CHRISTA BRYCE
MARKETING MANAGER**

**EMILY TAYLOR
PERSONAL BANKER**

**JESSICA CLINES
PERSONAL BANKER MANAGER**

**JESSICA SANTAMOUR
PERSONAL BANKER**

**JULIA ELLIOT
PERSONAL BANKER**

**PAIGE ISBELL
PERSONAL BANKER**

**RACHAEL SMITH
PERSONAL BANKER**

**SARAH COUNTRYMAN
PERSONAL BANKER**

**SHAY LIGON
PERSONAL BANKER**

**TAELORE PORTELLA
ATM FLEET MANAGER**

**YVONNE BRIGHT
DIGITAL LOAN OFFICER**