

Performance Highlights

TOTAL ASSETS (\$ THOUSANDS)

2019	\$608,866
2018	\$590,987
2017	\$584,869
2016	\$520,190
2015	\$494,900

TOTAL DEPOSITS (\$ THOUSANDS)

2019	\$519,860
2018	\$501,731
2017	\$494,848
2016	\$467,724
2015	\$448,012

EQUITY CAPITAL/NET WORTH

2019	9.05%
2018	9.17%
2017	9.04%
2016	9.14%
2015	8.80%

Message from the Treasurer: Wilfred Krenek

2019 was a year of strategic investment for the credit union, which resulted in net loss of \$0.4 million, down from a net profit \$3.1 million in 2018. While interest income grew by \$1.4 million, we also paid out a record \$3.8 million to our members in interest payments. That record was \$1.4 million higher than in 2018. Operating expenses increased by \$3.1 million as we hired additional key staff, made IT investments to address the ever-changing Cybersecurity threats and incurred higher expenses in managing our small-business loan portfolio. These expenses will position us to meet the challenges faced by credit unions going forward.

On a brighter note, total assets and loans set new records. Total assets were over \$608 million and total loan balances were over \$447 million at yearend 2019. Even with our strategic investments that reduced earnings last year, Members Choice Credit Union remains financially strong and “well capitalized” as defined by our regulators. The financial statements provide further details on our financial performance. We remain committed to meeting the needs of our membership and to long-term strategies as we strive to be the best financial partner we can be.

Supervisory Committee Message: Tonya Jordan, Supervisory Committee Chair

The annual audit of the books and records of Members Choice Credit Union, for the period ending December 31, 2019, was conducted by BKD, LLP. The audit was made in accordance with generally accepted auditing standards. They examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements. In their opinion, the financial statements of the credit union present fairly in all material respects the financial position of Members Choice Credit Union as of December 31, 2019.

Balance Sheet

YEAR ENDED DECEMBER 31,
(in thousands)

	2019	2018
ASSETS		
Cash and due from banks	\$ 2,556	\$ 3,713
Interest-bearing demand deposits	30,809	29,003
Federal funds sold	1,520	50
Total Cash and cash equivalents	34,885	32,766
Interest-bearing time deposits in banks	8,486	5,995
Available-for-sale debt securities	50,680	56,295
Loans held for sale	—	7,318
Loans, net of allowance for loan losses	442,754	426,561
Loans for collateral assignment split-dollar life insurance policies for executive retirement plans	15,595	15,072
Premises and equipment, net	37,972	33,953
Federal Home Loan Bank Stock	6,671	1,772
Accrued interest receivable	2,065	1,844
NCUSIF deposit	5,020	4,777
Other assets	4,738	4,633
Total Assets	\$ 608,866	\$ 590,987
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' shares	\$ 519,860	\$ 501,731
Notes payable	25,750	28,000
Other liabilities	8,163	7,054
Total Liabilities	553,773	536,785
Members' Equity:		
Regular reserve	4,964	4,964
Undivided earnings	50,440	50,873
Accumulated other comprehensive income	(311)	(1,635)
Total Members' Equity	55,093	54,202
Total Liabilities and Members' Equity	\$ 608,866	\$ 590,987

Statements Of Members' Equity

YEAR ENDED DECEMBER 31, 2019
(in thousands)

	Statutory Reserve	Undivided Earnings	Valuation Allowance Investment Securities	Total Equity
Balance, December 31, 2018	\$ 4,964	\$ 50,873	\$ (1,635)	\$ 54,202
Net Income		(432)		(432)
Provision for change in valuation allowance for available for sale securities, net			1,323	1,323
Balance, December 31, 2019	\$ 4,964	\$ 50,441	\$ (311)	\$ 55,093

Statement of Income

YEAR ENDED DECEMBER 31,
(in thousands)

	2019	2018
INTEREST INCOME		
Loans	\$ 19,649	\$ 19,348
Investment securities	4,932	3,847
Total Interest Income	24,581	23,195
INTEREST EXPENSE		
Interest expense on members' shares	3,828	2,460
Interest on borrowed funds	3,084	2,447
Total Interest Expense	6,912	4,908
Net Interest Income	17,669	18,287
Provision for loan losses	538	359
Net interest income after provision for loan losses	17,131	17,928
NON-INTEREST INCOME		
Fees and service charges	3,020	2,974
Insurance commissions	631	531
Interchange income	2,167	2,201
Net losses on disposals or sales of premise and equipment	(116)	(1,68)
Net gains on sales of small business administration loans	—	372
Net gains (losses) on sale of mortgage loans	(82)	102
Realized gain on sale of VISA B shares	839	—
Net realized gains on sales of investment securities	73	(66)
Other	534	553
Total non-interest income	7,062	6,666
NON-INTEREST EXPENSE		
Compensation and benefits	11,032	10,168
Occupancy	2,423	2,161
Operations	4,061	2,873
Advertising and promotion	461	524
Loan servicing	1,650	1,077
Professional and outside services	4,108	3,867
Other	890	859
Total non-interest expense	24,625	21,529
Net Income	\$ (432)	\$ 3,065