

# 2017 ANNUAL MEETING

A photograph of several hands of different skin tones stacked on top of each other, symbolizing unity and community. The hands are positioned on the left side of the page, with the fingers pointing towards the center. The background of the photo is a light blue sky.

**“We don’t  
have  
*customers,*  
we have  
*members...*  
and that’s  
important.”**



# Agenda

## Members Choice Financial Credit Union Charter 68655 April 5, 2017

|                                      |                               |
|--------------------------------------|-------------------------------|
| Registration .....                   | 5:00pm - 5:45pm               |
| Blessing .....                       | Francis Mahoney               |
| Dinner .....                         | 5:45pm                        |
| Welcome .....                        | Richard Knouse, Director      |
| Call to Order .....                  | Mary Fasano, Chair            |
| Minutes .....                        | Christine Haririan, Secretary |
| Treasurer's Report .....             | Page 3                        |
| Supervisory Committee's Report ..... | Page 3                        |
| Service Awards .....                 | Matthew Hoeger, Vice Chair    |
| Special Award .....                  | Karen Rowe, Lead MSR          |
| Chairman's Report .....              | Mary Fasano, Chair            |
| President's Report .....             | Jim Barbarich, CEO            |
| Adjournment .....                    | Mary Fasano, Chair            |

# Supporting Our Community





# Chairman's Report

Welcome to the 63<sup>rd</sup> annual meeting of the Members Choice Financial Credit Union. We have seen another positive year in 2016 with double digit growth for both shares (10.8%) and Loans (13.1%). Our members grew by 9.3%, the largest growth we have had in a decade. Our loan to share ratio was 85.0%. This means that we have loaned 85 cents of every dollar we have on deposit to members. This has been a key objective as it supports our theme of "people helping people."

Our Mount Carmel branch opened in May this year fulfilling our commitment to strengthen this underserved area. This office will serve as the hub supporting our commitment to members across the Lower Anthracite Region. To date, we have reinvested every dollar deposited into a member loan in the region.

You may have seen our regional relationship managers working on growing our business. We have set our asset growth strategy target at \$200 million to be achieved over the next five years.

The Federal Reserve implemented a rate change in support of their monetary policy by increasing the Fed funds rate 25 basis points, or a quarter of a percent in 2016. As we entered last year we were expecting three rate increases but the inflation target did not support the change.

The outlook for 2017 has two rate increases of 25 basis points on the table in addition to the March 16, 2017 change. This plan is subject to change if inflation and labor market metrics do not meet the target rates established by Janet Yellen and the Federal Reserve presidents. In our lifetimes we have not seen such a prolonged period of low interest rates. The Fed fund rate has remained at 25 basis points for seven years before the December 2015 change.

This has had a significant impact on our business as it is a key driver of our revenue. We have seen increases in health care costs and wage as the labor market tightened but the revenue line has been flat. The justification to reduce the dividend rate was present over this seven year period but the board held them constant in our mission to support our members. One very important metric that we follow is the "Cost of Funds" metric which reflects our dividend strategy. When compared to our peers, we returned 29 basis points more to our members through dividends. This is the result of the board's commitment to support our members during this low interest rate period.

Finally, I am proud to announce that our community service project "Decades of Dedication" that won the Pennsylvania Dora Maxwell Award in 2015, finished second in the 2016 national competition. Congratulations to all of you who helped make this project such a success.

I wanted to thank you for being such an important part of this great organization.

*Mary Fasano*  
Board Chair

# Treasurer's Report

Dale Moyer – Treasurer

In 2016, the Federal Reserve's monetary policy remained accommodative, consistent with inflation running below target. In December, the FED raised the Federal Funds rate by a quarter point to .75%. It was satisfied with the rate of economic growth, and expected inflation to reach its 2 percent target in 2017. The FED anticipates the rate to rise to 1.5% in 2017.

Consumer Sentiment rose to its highest level since January 2004. The Index of Consumer Expectations focuses on three areas: how consumers view prospects for their own financial situation, how they view prospects for the general economy over the near term, and their view of prospects for the economy over the long term. The post-election surge in optimism for the economy, jobs and income prospects, as well as for stock prices which reached a 13-year high fueled the increase.

Our asset growth was 10.2% bringing us to the \$142 million asset level. Our Capital ended the year at 8.18% and we continued to pay a 29 basis point dividend premium compared to our peers. Our interest rate risk, a key metric, remains low as presented in our Asset Liability Management analysis. We missed our plan due to delays in income generating projects and additional loan loss reserves due in part to an account change. Operating expense control helped mitigate the effect of these items. The Balance sheet and income statement are presented on pages 6 and 7.

Padden and Guerrini, our independent certified public accountants, have issued their 2016 audit report. There were no issues identified relating to the performance or reporting of our financial information.

## Supervisory Committee's Report

Tina Pontius – Committee Chair

The Members Choice Financial Credit Union as in previous years has contracted Padden, Guerrini & Associates to perform oversight responsibilities to fulfill the internal audit function. In conjunction with the supervisory committee volunteers' cash and indirect lending audits, we continue to review critical processes and controls.

Annually the supervisory committee meets with Padden, Guerrini and Associates to select critical internal controls that they will evaluate during the contracted audit time. In addition, they perform required audits including ACH, BSA, and our financial year end audit.

Review of the whistleblowers policy and an introduction of the supervisory committee are done annually at an employee training day. At this training, the process of how employees can report to the supervisory committee any issues they have regarding the operation of the credit union that would be illegal, violate policy or put the credit union at risk is presented. Employees are asked to read the policy and sign that they read, understand, and attended the training.

My report documents the cooperation of the board, employees and members in the audit process, for that we appreciate their assistance.

# Balance Sheet & Income Statement

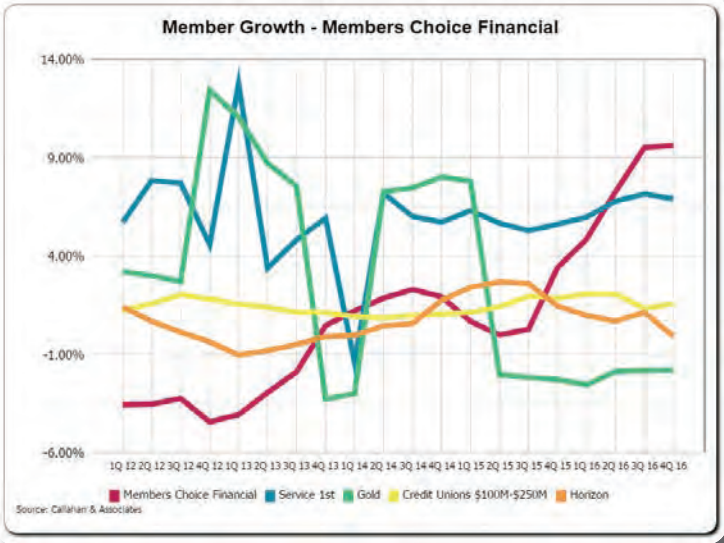
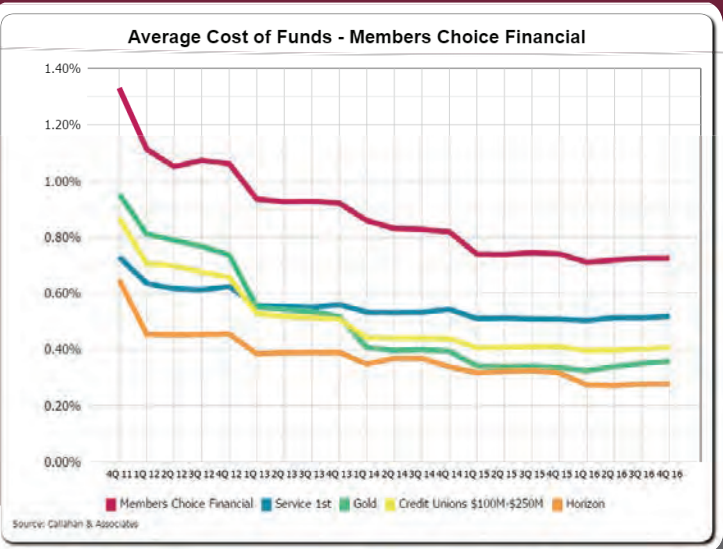
Year Ending Dec. 31, 2016

# Metrics For Success

| ASSETS                                 |                |                |
|--|----------------|----------------|
|  | 2016           | 2015           |
| Cash and Cash Equivalents              | \$ 1,276,787   | \$ 1,304,156   |
| Investments                            | 23,508,100     | 23,638,050     |
| Loans to Members                       | 109,723,271    | 96,951,109     |
| Assets in Process of Liquidation       | 1,265,288      | 1,371,515      |
| Accrued Interest Receivable            | 342,518        | 325,889        |
| Property and Equipment                 | 3,757,389      | 3,548,325      |
| Other Assets                           | 2,253,200      | 1,819,768      |
| TOTAL ASSETS                           | \$ 142,126,552 | \$ 128,958,812 |
| LIABILITIES AND MEMBERS' EQUITY        |                |                |
| Liabilities                            |                |                |
| Members' shares                        | \$ 129,160,444 | \$ 116,557,661 |
| Accounts Payable and accrued expenses  | 1,455,858      | 1,039,066      |
| Accrued interest and dividends payable | -              | -              |
| Total Liabilities                      | 130,616,302    | 117,596,727    |
| Members' Equity                        |                |                |
| Regular reserve                        | 1,114,195      | 1,114,195      |
| Retained earnings                      | 10,506,714     | 10,377,741     |
| Accumulated other comprehensive income | (110,659)      | (129,850)      |
| Total Members' Equity                  | 11,510,250     | 11,362,085     |
| TOTAL LIABILITIES AND MEMBERS' EQUITY  | \$ 142,126,552 | \$ 128,958,812 |

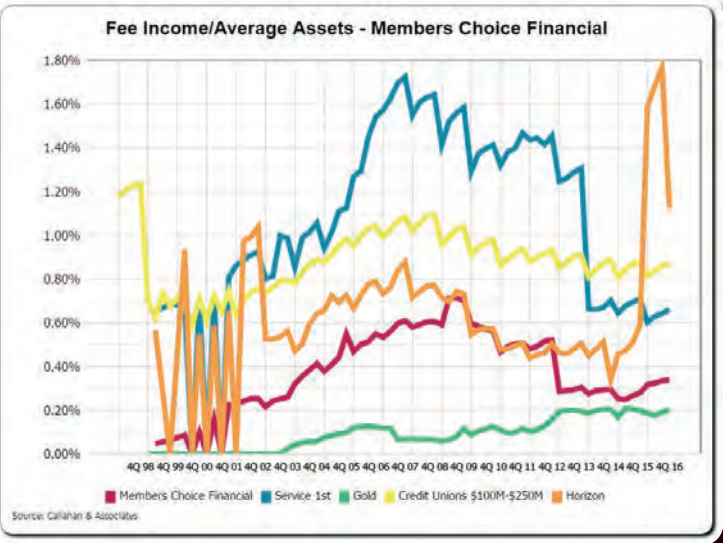
|  | 2016         | 2015         |
|--|--------------|--------------|
| Interest Income                                      |              |              |
| Members' loans                                       | \$ 4,456,984 | \$ 4,152,475 |
| Investments  | 283,865      | 366,283      |
| Total Interest Income                                | 4,740,849    | 4,518,758    |
| Interest Expense                                     |              |              |
| Members' dividends                                   | 891,225      | 848,743      |
| Other interest expense                               | -            | -            |
| Total Interest Expense                               | 891,225      | 848,743      |
| Net Interest Income Before Provision for Loan Losses | 3,849,624    | 3,670,016    |
| Provision for Loan Losses                            | 356,960      | 84,218       |
| Net Interest Income After Provision for Loan Losses  | 3,492,664    | 3,585,798    |
| Non-Interest Income                                  | 1,164,339    | 974,828      |
| Impairment of corporate member capital account       | -            | -            |
| Total Non-Interest Income                            | 1,164,339    | 974,828      |
| Total Non-Interest Expense                           | 4,559,195    | 4,087,530    |
| Net Income From Operations                           | 97,807       | 473,096      |
| Other Gain (Loss)                                    | 31,167       | 2,685        |
| Corporate Stabilization Expense                      | -            | -            |
| NET INCOME   | 128,973      | 475,781      |

## Average Cost Of Funds



## Member Growth

## Fee Income/Average Assets





# President's Message

Welcome to Members Choice 2017 annual meeting reflecting on the year ended 12/31/2016. We appreciate your attendance and your support as a member.

Last year we outlined four key strategies related to our Business Plan. Risk, liquidity, great products, and outstanding service were the cornerstone items we reported. My report will follow the same logic as it is our critical path to success.

Risk mitigation is one area we are extremely vigilant at Members Choice. Every plan, every project, every product we offer and investment we make goes through a process that measures, monitors, and manages the associated risk. The biggest regulator concern in the current economic environment is interest rate risk. This is simply the interest cost of our deposits versus the interest income of our loans and investments. I am reporting that we have a low level of interest rate risk, the result of two things; the balance sheet composition we constructed and the behaviors of our non-maturity account behaviors. We will take credit for carefully constructing the balance sheet. You deserve credit for your commitment to the deposits. The combination of the two is the winning formula.

Delinquencies crept up during 2016 as a result of increased foreclosures and a by product of our indirect lending growth. In spite of this our charge offs are still significantly lower than our peers.

The second strategic focus is our liquidity or our ability to sustain outflows of cash to the business. We know that being able to fund loans, meet members cash requirements and account fluctuations, and instill confidence in our members that we are good stewards of their savings is critical. We forecast cash requirements in weekly buckets and have detailed models that calculate liquidity in the 90 day and 120 day windows. Our 90 day Liquidity in an up 300 rate shock is \$108 Million. Our 12 month liquidity in an up 300 rate shock is \$108 Million. This yields a low liquidity risk.

Our third strategic focus is on offering great products and delivering outstanding service. Our flex choice home equity loan is an example of a great product that offers you the flexibility to craft it to best work for you. And our service is world class. Members Choice is blessed to have 47 of the most dedicated employees who have your best interest at heart. So when they ask you if you are interested in a product or service the motivation is to improve your financial position.

The final strategic focus we declared was growth and we established our 5 year growth target of \$200 Million in assets. We grew over 10% during 2016 finishing the year at \$142 Million. This puts us on target to achieve the goal. We opened a branch to serve the Mount Carmel area and expanded into the underserved areas of Union County growing our charter footprint. Both areas have welcomed our entry. We have also added two talented Regional Relationship Managers to our team to build on the strong footings of Members Choice.

We did not meet our financial plan in 2016. There were a number of factors; accounting change to payment plans on delinquent loans, financial impact of faster pay downs to indirect auto loans, and a soft mortgage lending season all contributed to the shortfall. Despite these disappointments we were profitable, increased our capital position, grew shares and loans double digit, expanded our footprint and added a great home equity loan called flex choice.

Perspective is our view of things that incite our passion to fulfil our purpose. In less than 15 words I have categorized what it is that we do at Members Choice; every day. The statement is so important that it warrants further explanation;

so important we used it in our last employee enrichment day. It was so important we used it as the theme of our annual meeting. "We don't have customers, we have members."

This is about you, our owner member; and that's important. Yes there is a difference. Perhaps you can't see it when you compare products. All financial institutions offer certificates of deposits, savings and checking accounts. We all offer loans from complicated mortgages to consumer loans like auto and signature. But that is where the similarities end. We like to think of what we do as "banking without bankers."

So what makes us different you may ask? Let's start with our structure, you are a member owner and have a vote in what we do. Banks have stockholders that control what they do for their benefit. Our board is a volunteer board and their board is paid. We are not for profit, profit numbers drive them. In fact to them you are just a number; an account number, a deposit, a fee, a newly opened account and in some cases one you did not even know you opened as we saw with Wells Fargo.

You see we all have numbers but the big difference is what they mean. To the banker they are about bonuses or targets they need to achieve. The numbers drive their success, and many times they forget the rules on the drive.

We measure success in our relationships with our members. To us, it is the story behind the numbers that is important. The opening speaker at one of our credit union partner's annual meeting made the distinction very clear.

He called out the numbers 2, 7, 5, 160, 40 and explained to the banks they were just numbers; but we heard the story behind those numbers. You see a single mom enters who had 2 children ages 7 and 5. She spent all of her alimony and her pay check was delayed and she was \$160 overdrawn and will be \$40 short on her rent unless the fees get waived. She prays for mercy and it appears in a flowered dress who says yes we will help.

The story was so moving we had to share it with you. But more importantly it is who we are and what we do, because we don't have customers, we have members, and that means something!

What is your story? Was it to celebrate in the good times; your first mortgage to purchase the home that grew so many memories, your daughter's dream wedding, your grandson's college graduation? Or was it in the dark times when you didn't think there was a way out; and we were there to comfort you, to create a plan and to walk with you through this difficult journey, never doubting your resolve to win, and we did!

Regardless of the joy or the pain, your story has a common thread; the commitment of the most dedicated caring group of employees who everyday serve each of you without judgement but with the passion that drives them to fulfill our purpose. Because you are members, and that is important!

A heartfelt thank you to each of you who work, volunteer and make this great organization Members Choice!

*Jim Barbarich*  
President & CEO

**"We don't have *customers*, we have *members*...  
and that's important."**

# Community Relations

## Charitable Giving

ALEX'S LEMONADE STAND  
AMERICAN CANCER SOCIETY  
ATLAS FIRE CO. FIREFIGHTERS EQUIP FUND  
BLOOMSBURG UNIVERSITY FOUNDATION  
BLOOMSBURG AREA YMCA  
BLOOMSBURG THEATRE ENSEMBLE  
BTE/TREE FEST  
CAMP VICTORY  
CENTRAL SUSQUEHANNA  
COMMUNITY FOUNDATION  
COOKIN' MEN-EVAN

CUPAC  
DANVILLE AREA COMMUNITY CENTER  
DANVILLE CHILD DEVELOPMENT CENTER  
DANVILLE VOLUNTEER FIRE DEPARTMENT  
DANVILLE HALLOWEEN PARADE  
DANVILLE BUSINESS ALLIANCE  
FREEDOM LIFE CHURCH  
JACP-NORTHERN TIER YWFS  
LEWISBURG FREEDOMFEST  
LEWISBURG NATIONAL NIGHT OUT  
MEMBERS CHOICE SCHOLARSHIPS

MOUNT CARMEL DOWNTOWN INC.  
MOUNT CARMEL AREA PUBLIC LIBRARY  
MOUNT CARMEL TOWNSHIP POLICE DEPT  
MOMMA K'S KIDS  
NATIONAL MULTIPLE SCLEROSIS SOCIETY  
SERVICE 1ST FEDERAL CREDIT UNION  
(GOLF TOURNEY)  
THINK BIG  
UNION COUNTY VETERANS  
4TH OF JULY COMMITTEE INC.  
WILBURTON HOSE CO. #1

## Team M-C

### Administrative

James Barbarich- President/CEO  
Jean Miller- CFO  
Victor Tsui- COO  
Brian Wiktor- VP Loan Operations  
Roger Brown- Director, Organizational Dev.

### Danville/Merck

Mary Brown- MSR  
Jennifer Donnelly- Collection Asst  
Cathy Fry- Facilities/Maintenance  
Kelsey Hartzler- Loan Officer  
Nicci Hergan- MSR  
Carla Lloyd- Collections Manager  
Alexandra Munshower- MSR  
Sonya Rickard- MSR  
Karen Rowe- Lead MSR  
Erin Sweetra- MSR  
Diane Treas- MSR  
Dana Tripp- Senior Loan Officer

### Bloomsburg

Katerina Custis- MSR  
Diane Felix- MSR  
Elizabeth Hittle- Relationship Manager  
Heather Johnson- Loan Officer  
Diann Menapace- Lead MSR  
Gena Slusser- MSR  
Katie Wilk- MSR  
Patricia A West- MSR

### Lewisburg

Elba Arenas- Relationship Manager  
Zackary Bennett- MSR  
Susanne Erhardt- MSR  
Susan Follmer- MSR  
Levi Geyer- Lead MSR  
Diana Metzger- Loan Officer  
Annette Welch- Indirect Lender  
David Zerbe- MSR

### Evangelical

Doreen Artley- Lead MSR  
Cathy Cooper- MSR  
Barbara Gemberling- MSR

### Mount Carmel

Carol Altomare- Oper. Supv/Lead MSR  
Frances Ballard- MSR  
Beverly Cooper- Relationship Manager  
Wendy Flynn- MSR  
Debra Kowaleski- MSR

### Call Center

Karen Blue- Call Center MSR  
Mary Gratti- Call Center MSR  
Janet Williams- Call Center MSR

### Corporate Support

Heidi Ball- IT Analyst  
Kara Miller- Document Control Rep.  
Jessica Mordan- Accountant  
Emily Showers- Admin Asst/FSR  
Sue Traver- Marketing Specialist  
Nicholas Truax- IT Technician

### Board of Directors

Mary Fasano- Chairperson  
Matthew Hoeger- Vice Chairperson  
Christine Haririan- Secretary  
Dale Moyer- Treasurer  
Lindsey Marolf- Board Member  
Richard Knouse- Board Member  
John Packer- Board Member

### Supervisory Committee

Tina Pontius- Chairperson  
Joanne Packer- Committee Member  
Brian Covol- Committee Member

*Congratulations!*

# 2016 Service Milestones



## Volunteer Milestones



## Everyday Banking... Products & Services for YOU! Membership Scorecard... what are you using?

*Lower Interest Loans, Higher Yield Savings and Outstanding Member Service!*

### Savings/Checking/Lending

- |   |  |
|---|--|
| <input type="checkbox"/> Regular Savings                        | <input type="checkbox"/> Home Mortgage/Refinance |
| <input type="checkbox"/> CD, IRA or Money Market                | <input type="checkbox"/> Personal Lines & Loans  |
| <input type="checkbox"/> Health Savings                         | <input type="checkbox"/> Student Loans           |
| <input type="checkbox"/> Club Savings                           | <input type="checkbox"/> Auto Loans              |
| <input type="checkbox"/> Youth Savings                          | <input type="checkbox"/> Business Loans          |
| <input type="checkbox"/> Interest Checking                      | <input type="checkbox"/> MasterCard              |
| <input type="checkbox"/> FlexChoice- Home Equity Line of Credit |  |

### Services/Convenience

- |  |  |
|--|--|
| <input type="checkbox"/> Debit Card              | <input type="checkbox"/> Online MasterCard Access        |
| <input type="checkbox"/> Overdraft Protection    | <input type="checkbox"/> Money Orders & Cashier's Checks |
| <input type="checkbox"/> Mobile Banking          | <input type="checkbox"/> Wire Transfers                  |
| <input type="checkbox"/> Online Banking          | <input type="checkbox"/> Account Alerts                  |
| <input type="checkbox"/> Audio Banking           | <input type="checkbox"/> Secure Online/Mobile Messaging  |
| <input type="checkbox"/> Mobile Check Deposit    | <input type="checkbox"/> Night Deposit Box               |
| <input type="checkbox"/> Online Loan Application | <input type="checkbox"/> Coin Machine                    |



# Branch Locations

## **Main Branch:**

### **Danville**

230 Walnut Street  
Danville, PA 17821



### **Bloomsburg**

599 East 7th Street  
Bloomsburg, PA 17815



### **Lewisburg**

1339 Saint Mary Street, Suite 1  
Lewisburg, PA 17837



### **Mount Carmel**

11218 State Route 61  
Mount Carmel, PA 17851



### **Evangelical Community Hospital**

1 Hospital Drive  
Lewisburg, PA 17837



### **Cherokee Pharmaceuticals, LLC**

100 Avenue C  
Riverside, PA 17868



800.834.0082

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M-C Credit Union

[mcfcu.org](http://mcfcu.org)