

# 2018 ANNUAL MEETING



*Stronger  
Together...*



***Building lifelong relationships... one member at a time.***

# Agenda

## Members Choice Financial Credit Union Charter 68655 April 4, 2018

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
Chairman's Report.....	Mary Fasano, Chair
Installation of Officers .....	Mary Fasano, Chair
President's Report.....	Jim Barbarich, CEO
Adjournment.....	Mary Fasano, Chair



# Supporting Our Community



# Chairman's Report

Welcome to the 64th annual meeting of the Members Choice Financial Credit Union. The theme for this year's meeting is "Stronger Together". Our results detail our financial strength as we finished the year with three distinct accomplishments. First, we exceeded our budgeted earnings. Second we continued to pay a premium dividend (\$939,170) to our members outpacing our peers by 36 basis points. Putting this in perspective it translates into \$500,000. Last, we continued to grow our net worth by \$501,504 strengthening our Balance Sheet by adding to our well capitalized position. Together we were Financially Stronger as we closed 2017.

Membership is the foundation of our "member owned financial cooperative". Our Structure and Mission are what makes us different from banks. As a member owner you should understand the difference and advocate defending it. It is because of our structure that we have a tax exempt status: no stockholders, no paid board of directors. Your member owned financial cooperative is governed by a volunteer board where each member has an equal vote regardless of their deposit level. In 2017 we posted member growth of 4.07%. This growth rate was twice the rate our peers grew and is being driven by our underserved areas. We are stronger as we grow membership together.

Common sense legislation was the focus of our efforts in Washington. S. 2155 is bipartisan, common-sense reform legislation that will protect seniors from elder abuse, make mortgage processing easier and quicker, increase affordable rental housing in our communities, and help credit unions provide better service to their members. Additionally we pushed to level the playing field with merchants that accept cards for payments. They need to be held to the same standard as the credit unions that issue the cards; reporting events in a timely manner and shouldering all the costs of a breach. We continued our focus on our tax status and how it is critical to our mission. Our association partners CUNA, NAFCU, and credit unions across the country continue to lobby to protect it. Advocacy is critical to our success and we are stronger together as we defend our purpose.

On the monetary front 2017 did not see the projected rate increases that the Federal Reserve had forecasted. Their actions have a significant impact on our business. We have a balance sheet that positions us to capture opportunity as rates increase. We have built our 2018 plan with three Fed rate increases over the year. With a new Fed chairman we will have to watch their actions and make the appropriate course corrections as warranted to continue our success. Our Balance Sheet is stronger as we close 2017.

Finally I would like to thank you for your commitment to Members Choice in 2017. We are a full service financial institution and want to be your primary financial institution. Let's call it "all in." Are you all in with all the services we offer? As a member owned financial cooperative you are the benefactor. Higher dividends, lower loan rates, low or no fees for services all benefit you. So I ask; are you all in? Are we your Primary Financial Institution? If your answer is yes; I thank you. If you answer no; I invite you to join us. As a member owned financial cooperative we are "Stronger Together."

I want to thank you for being a part of this great organization.

*Mary Fasano*

Board Chair



# Treasurer's Report

Dale Moyer – Treasurer

In 2017, the Federal Reserve raised the interest rates three times from .75% in December 2016 to 1.50% in December 2017. Inflation remained low but moved toward the target of 2%. If economic indicators like the unemployment rate, GDP growth and inflation continue to point to a healthy economy, monetary policy will change. Jerome Powell was appointed as the new Federal Reserve chairman. The FED anticipates a continued healthy economy in 2018 and expects to increase rates three or four times in 2018.

Consumer Sentiment remains high. 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 Dow, S&P and Nasdaq all saw growth from 19% to 28% in 2017. The unemployment rate for the end of the year was 4.1% which is widely considered full employment. In conjunction with the constant unemployment decrease, there has also been a slow increase in wage growth. These conditions helped fuel the high consumer sentiment number.

Our asset growth was a moderate 2.5% ending the year at \$145 million in assets. Our Capital grew by \$501,054 ending the year at 8.38% and we continued to pay a higher dividend premium compared to our peers by 36 basis points. Our interest rate risk, a key metric, remains low as presented in our Asset Liability Management analysis. We surpassed our plan despite missing budgeted income. Operating expense control helped mitigate the effect of the missing income. The Balance sheet and income statement are presented on pages 6 and 7.

Padden and Guerrini, our independent certified public accountants, have issued their 2017 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.

The Credit Union has in place a Whistleblowers Policy which details 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. New employees are required to read the policy and sign that they read and understand and periodically all employees are required to review the policy.

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

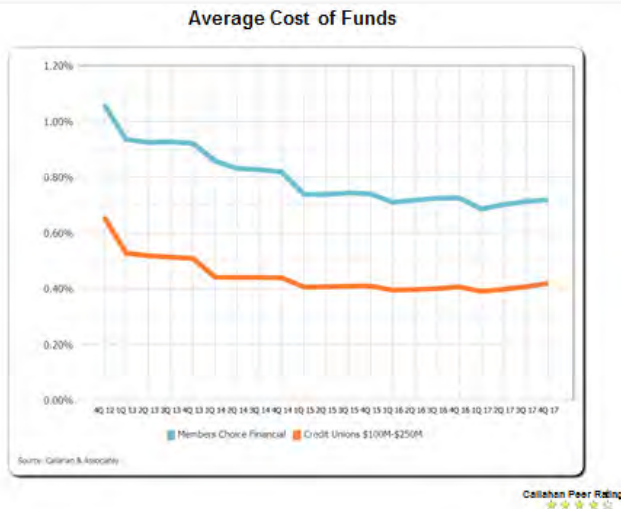
## Year Ending Dec. 31, 2017

ASSETS		
	2017	2016
Cash and Cash Equivalents	1,517,892	\$1,276,787
Investments	26,585,153	23,508,100
Loans to Members	109,918,032	109,723,271
Assets in Process of Liquidation	1,043,799	1,265,288
Accrued Interest Receivable	297,533	342,518
Property and Equipment	3,731,423	3,757,389
Other Assets	2,709,305	2,253,200
<b>TOTAL ASSETS</b>	<b>\$145,803,137</b>	<b>\$142,126,552</b>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$132,244,532	\$129,160,444
Accounts Payable and accrued expenses	1,542,399	1,455,858
Accrued interest and dividends payable	-	-
<b>Total Liabilities</b>	<b>133,786,930</b>	<b>130,616,302</b>
Members' Equity		
Regular reserve	1,114,195	1,114,195
Retained earnings	11,007,768	10,506,714
Accumulated other comprehensive income	(105,756)	(110,659)
<b>Total Members' Equity</b>	<b>12,016,207</b>	<b>11,510,250</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$145,803,137</b>	<b>\$142,126,552</b>

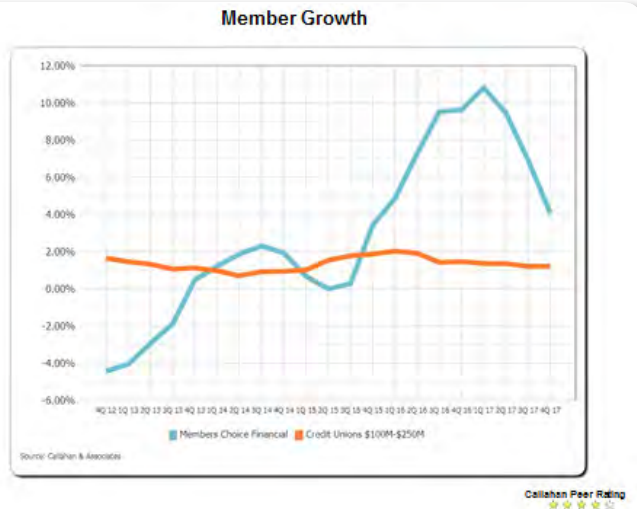
	2017	2016
Interest Income		
Members' loans	\$ 4,831,633	\$ 4,456,984
Investments	340,323	283,865
<b>Total Interest Income</b>	<b>5,171,956</b>	<b>4,740,849</b>
Interest Expense		
Members' dividends	939,170	891,225
Other interest expense	-	-
<b>Total Interest Expense</b>	<b>939,170</b>	<b>891,225</b>
Net Interest Income Before Provision for Loan Losses	4,232,787	3,849,624
Provision for Loan Losses	337,488	356,960
<b>Net Interest Income After Provision for Loan Losses</b>	<b>3,895,298</b>	<b>3,492,664</b>
Non-Interest Income	1,316,216	1,164,339
Impairment of corporate member capital account	-	-
<b>Total Non-Interest Income</b>	<b>1,316,216</b>	<b>1,164,339</b>
Total Non-Interest Expense	4,697,508	4,559,195
<b>Net Income From Operations</b>	<b>514,006</b>	<b>97,807</b>
Other Gain (Loss)	(12,952)	31,167
Corporate Stabilization Expense	-	-
<b>NET INCOME</b>	<b>501,054</b>	<b>128,973</b>

# Metrics For Success

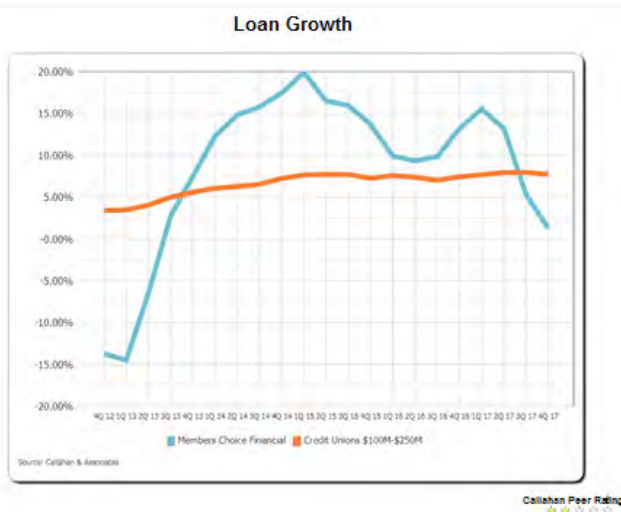
## Average Cost Of Funds



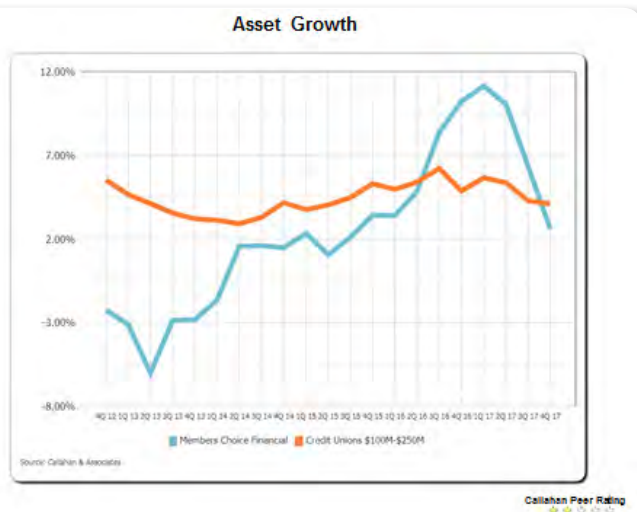
## Member Growth



## Loan Growth



## Asset Growth



# President's Message

Welcome to the Members Choice 2018 annual meeting reflecting on the year that ended 12/31/2017. We appreciate your attendance and your support as a member. Our theme for this year's annual meeting is **"Stronger Together"**. This is a foundational belief of cooperatives; Credit Unions.

2017 was an interesting year for the country and for credit unions. We have completed the first year of a new president who has challenged the federal government to be a partner; not a road block in the success of business. We are optimistic that the business climate, especially for credit unions will improve by implementing common sense regulations.

I have reported in the past that we were optimistic that we would see some regulation relief. I am happy to report change is here. Acting Director of the Consumer Finance Protection Bureau (CFPB) Mr. Mick Mulvaney delivered a message of how his organization is changing. He outlined three general principles that are in place.

1. The CFPB recognizes the fact that Credit Unions did not cause the financial crisis and should not be regulated like the folks that might have done those things.
2. The CFPB recognizes the fact that one size does not fit all when it comes to regulating the industry. They hope to tailor regulations to the size, complexity and activities of the entity.
3. Credit Unions are owned by your members. Your members are your owners and every time we put a cost on you, it comes out of their pockets. There will be a cost benefit analysis of every regulation before it is issued.

Having a regulator that wants to see credit unions succeed is priceless. Please continue to answer the call when we ask you to reach out to our legislators because you make a difference. **In advocacy we are Stronger Together: 110 million strong.**

I would like to acknowledge the Board for fulfilling the true purpose of our organization. The Federal Credit Union Act of 1934 established credit unions for **"the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes"**. The dividends paid to members are at the direction of the Board. They are twice the rate of the dividends paid by our peer group credit unions. That is an example of promoting thrift by returning to our member owners' extraordinary value, \$939,170. The second part of our charge is "to create a source of credit for prudent and productive purposes." The report card on this is displayed in two key metrics:

1. Our loan to share ratio is 85% (that translates into 85 cents of every deposit dollar is out to members in loans) or \$110 million in loans to members.
2. For every dollar of deposit in our Mount Carmel Branch we have made \$1.22 of loans.

Combine those two metrics and what you have is a commitment to creating a source for prudent lending. The true winners: you our members. The responsible party: the Board of Directors of Members Choice. I thank them for their vision and commitment to our purpose. Their **leadership makes us Stronger Together.**



# Stronger Together



As you can see in the financial reports we had a strong year. That strength is only a portion of our potential. Growth is the key to success. In 2017 we embarked on a data driven focus to chart our future. Strategically we will focus our growth message on a single theme: “An educated member is a stronger member”. The playbook is to grow organically, and contains three steps:

1. We will educate every member to understand the power of a good financial foundation (goals), supported by a plan (budget), great products (offered at Members Choice), and the importance of discipline to execute their plan (ownership).
2. We will educate every member to realize the value Members Choice brings as their primary financial institution in our products and services, and how that translates back to them.
3. We will educate every member on the opportunity to grow member value under their control by leveraging our products and services. This is at the core of the cooperative model. The more you invest in our success (Wallet Share) the bigger the return you get back ( Member Value).

Data will be the roadmap that guides us. Metrics will be the report card that documents our success and failures. Member value will be the thread that imbeds our purpose into everything we do. It is a monumental task that will take years, but executed properly will compound the value returned to our member owners. **Your commitment and participation make us Stronger Together.**

Technology is the word we use to create simpler, cost effective solutions that expand our reach and drive waste out of our processes resulting in member value. You will begin to see some of our new tools to enhance your branch experience. I use the term branch to be wherever you conduct your financial business. That could be at one of our six locations, thousands of surcharge free ATMs, anywhere there is connectivity utilizing our mobile platform, or in the comfort of your home utilizing our home banking product. **Access makes us Stronger Together.**

Advocacy, Leadership, Commitment, and Innovation are the pages from our playbook executed by a staff I am proud to work beside every day. If you get great service, let them know. If you don't, let me know. We are committed to you our member owners. So whether you walk in or sign in remember; this is your business and you are a part of our success. We believe this so much that we put it into one of our corporate values. **Everyone plays an important role in our success. Inclusion makes us Stronger Together.**

I will close by posing an important question to the person we seek wisdom from as a part of our culture today. Alexa, what is a credit union? Let me know what she tells you. Better yet let me know if you believe in it.

Thanks for all you do! We are Stronger Together.

*Jim Barbarich*  
President & CEO

# Community Relations

## Charitable Giving

CAMP VICTORY  
COOKIN MEN- EVAN  
BLOOMSBURG THEATER ENSEMBLE  
EVANGELICAL HOSPITAL  
BLOOMSBURG UNIVERSITY  
CSIU LPN CAREER CENTER  
THE PEYTY FOUNDATION  
LEWISBURG NATIONAL NIGHT OUT  
THE MILLER CENTER  
CENTRAL SUSQUEHANNA  
COMMUNITY FOUNDATION  
MEMBERS CHOICE SCHOLARSHIPS  
DANVILLE BUSINESS ALLIANCE

DANVILLE AREA COMMUNITY CENTER  
CORPORATE COMMUNICATIONS  
DANVILLE HALLOWEEN PARADE  
TATA TROT  
AMERICAN CANCER SOCIETY  
DANVILLE CHILD  
DEVELOPMENT CENTER  
BTE TREE FEST  
GSVCC YA SPEAKER SPONSOR  
THINK BIG- GO GOLD  
CHILDHOOD CANCER  
MOUNT CARMEL AREA  
EDUCATION FOUNDATION

EVAN HOLIDAY DINNER  
COLOR OF HOPE 5K  
DAAC  
ANIMAL RESOURCE CENTER  
ATLAS FIRE COMPANY  
DANVILLE VOLUNTEER FIRE DEPT  
DMS STUDENT COUNCIL  
FIRE VICTIM FUND  
BARK IN THE PARK  
DANVILLE FALL FESTIVAL  
DANVILLE ROTARY CLUB  
MARCH OF DIMES  
PA SPORTS HALL OF FAME

FINANCIAL LITERACY EDUCATION  
KULPMONT KNIGHTS OF COLUMBUS  
LEWISBURG ARTS COUNCIL  
ST JOSEPH SCHOOL  
MOUNT CARMEL SANTA IN THE PARK  
DANVILLE DRAMA BOOSTERS  
DANVILLE PSPCA  
TNT BASKET DONATION  
ENCORE ACTIVITY ACCT  
ARMY NATIONAL GUARD

## Team M-C

### Administrative

James Barbarich, President/CEO  
Jean Miller, CFO  
Victor Tsui, COO  
Brian Wiktor, CLO

### Regional Relationship Managers

Elba Arenas, West (Danville/Lewisburg)  
Beverly Cooper, East (Bloombsburg/Mount Carmel)

### Danville/Merck

Mary Brown, MSR  
Brian Ciotti, Loan Officer  
Dylan Dombroski, MSR  
Jennifer Donnelly, Collections Asst.  
Wendy Flynn, MSR  
Kelsey Hartzler, Loan Officer  
Heather Johnson, Loan Officer  
Diann Menapace, Lead MSR  
Alexandra Munshower, MSR  
Carla Schmidt, Collections Manager  
Diane Treas, MSR

### Bloombsburg

Elizabeth Brown, MSR  
Emmanuel Mindo, MSR  
Arthur Ovsepyan, Mortgage Originator  
Gena Slusser, Lead MSR  
Dana Tripp, Indirect Lending Manager  
Patricia West, MSR

### Lewisburg

Doreen Artley, Lead MSR (Lewisburg & Evan)  
Deanna Collier, MSR  
Susanne Erhardt, MSR  
Susan Follmer, MSR  
Diana Metzger, Loan Officer  
David Zerbe, MSR

### Evangelical

Cathy Cooper, MSR  
Barbara Gemberling, MSR

### Mount Carmel

Carol Altomare, Branch Operations Supervisor  
Francine Davis, MSR  
Debra Kowaleski, Universal MSR  
Karen Rowe, MSR  
Jonathan Thomas, MSR

### Call Center

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

### Corporate Support

Heidi Ball, IT Analyst  
Zackary Bennett-IT Technician  
Courtney Hamilton, Accountant Asst.  
Tyler Kwiatkowski, Special Projects  
Jessica Mordan, Accountant  
Emily Showers, HR Manager/Sr. Admin. Asst  
Sue Traver, Marketing Manager



*Congratulations!*

# 2017 Service Milestones

**15 Years**

**Carol  
Altomare**

**10 Years**

**Karen  
Rowe**

**10 Years**

**Diane  
Treas**

**5 Years**

**Deb  
Kowaleski**

**5 Years**

**Diann  
Menapace**

**5 Years**

**Brian  
Wiktor**

## Volunteer Milestones

**30 Years**

**John  
Packer**

**5 Years**

**Dale  
Moyer**



# Branch Locations

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## **Main Branch:**

### **Danville**

390 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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