

# 2019 ANNUAL MEETING

MEMBERS CHOICE FINANCIAL CREDIT UNION



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

# Agenda

## Members Choice Financial Credit Union Charter 68655 • April 3, 2019

Registration .....	5:00pm - 5:45pm
Blessing .....	Francis Mahoney
Dinner .....	5:45pm
Welcome .....	Richard Knouse, Director
Call to Order .....	Mary Fasano, Chair
Consent Agenda	
Minutes .....	Addendum
Treasurer's Report .....	Handout
Supervisory Committee's Report .....	Handout
Service Awards .....	Matthew Hoeger, Vice Chair
Chairman's Report .....	Mary Fasano, Chair
Installation of Officers .....	Matthew Hoeger, Vice Chair
President's Report .....	Jim Barbarich, CEO
Adjournment .....	Mary Fasano, Chair

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## Meet the Officers



**Jim Barbarich**  
*Chief Executive Officer*



**Elba Arenas**  
*Chief Member  
Experience Officer*



**Brian Wiktor**  
*Chief Lending Officer*



**Jean Miller**  
*Chief Financial Officer*



# Supporting Our Community



# Community Giving

*Members Choice*  
**2019 Charity Golf Tournament**

**May 31, 2019**

*at Knoebels Three Ponds Golf Course*

Sponsorship Opportunities • Lottery Calendars • Golf Registrations

**2019 Charity Golf Benefactors:**



POST#40  
**THE AMERICAN LEGION**  
Veterans Emergency Relief Fund



*"Fighting the fight for children's cancer freedom and for those who fought for our nations' freedom."*

## 2018 Community Giving

Animal Resource Center  
Atlas Fire Company  
Bloomsburg Theatre Ensemble  
BTE Tree Fest  
Camp Victory  
Catawissa Little League  
Central Susquehanna  
Community Foundation  
Danville Ambulance Service  
Danville Area Community Center  
Danville Area Little League  
Danville Business Alliance  
Danville Child Development Center

Danville Fall Festival  
Danville Halloween Parade  
Danville PSPCA  
Danville Rotary Club  
Evangelical Holiday Dinner  
Financial Literacy Education  
Haven To Home  
Kulpmont Knights Of Columbus  
Lewisburg Arts Council  
Lewisburg National Night Out  
Lewisburg Sunset Rotary  
Members Choice Scholarships  
Mommy And Me Animal Rescue

Mount Carmel Santa in the Park  
New Berlin American Legion  
PA Sports Hall of Fame  
Riverside Assembly Of God Church  
Service 1st FCU Golf Tourney  
Team Snap  
The Peyty Foundation  
Think Big  
Whitey McCloskey  
Alumni & Friends Assoc.  
Wilburton Hose Co #1



# Financial Literacy



## Members Choice Kicks Off New Financial Literacy Program

In 2018, Members Choice kicked off the new Members Choice Financial Literacy Program. This program was developed by our new Chief Member Services Officer, Elba Arenas, whose passion drives this critical outreach.

With topics like credit versus debit cards, types of loans, and how to build your credit, all attendees of the program receive financial basics that will help them with their endeavors throughout their lives. Our instructors meet with students and adults to go over the lesson and help them out with any questions they have regarding their financial situations. The goal is to educate not only our youth, but everyone, so they can make smart financial decisions when they are presented with them in life.

Organizations, schools and individuals may request information on upcoming sessions by calling Members Choice at 800-834-0082. You will be contacted by one of our financial specialists with information on class availability.

# Chairman's Report

Welcome to the 65th annual meeting of the Members Choice Financial Credit Union. This year's theme "Community" highlights the true spirit of "People Helping People." Our Credit Union Community is comprised of a diverse and inclusive membership. Within the membership we have created communities identified by their needs and channels we utilize to support them.

The largest community we serve is the core membership community. The need is the requirement for a safe and dependable financial services platform. The channels we provide to support this constituent group are the products and services of traditional banking. Savings, checking, certificate, health savings, and money market accounts are the basics of deposits. Loans; mortgage, home equity, auto, education, credit cards, and unsecured loans provide for members needs beyond their savings.

From the core other communities were spawned, driven by their specific needs. One community I would like to highlight in my 2018 report is the "Financial Literacy Community". Driven by her passion Elba Arenas, our Chief Member Experience Officer, with the support of her team reached into this community and enabled them to develop financial life skills that have opened the door of the unbanked and allowed them to pass through.

The program offered bilingual financial literacy education to the Spanish speaking community many of whom were relocated from Puerto Rico following the devastating hurricane that destroyed hopes and lives. Members Choice was a partner in building the financial foundation that would allow them to be a successful part of our core community. Outside the classroom the mentorship and continued individual counseling have resulted in their financial growth.

Second chance opportunity was another community that our financial literacy initiative focused on helping. This community was composed of non-violent offenders who had completed their sentences. Members Choice partnered to teach the skills to survive financially as a part of their rehabilitation plan. These skills were critical to returning to society as a contributing member.

A community of high school students who wanted to climb out of poverty was joined on that journey by Elba. Instilling the benefits of financial discipline and making good choices with their money was combined with the basic financial literacy knowledge to allow them to plot a path out of poverty.

The impacts of these programs were so significant to the community that the Pennsylvania Credit Union Association awarded us the 2018 First Place Award for "Adult Literacy Programs." As the recipient Members Choice will represent Pennsylvania in the Credit Union National Association Competition.

People helping people; are not just words, they are the actions of your credit union. Congratulations to Elba and her team on their accomplishments!

Advocacy matters! In 2018 the enactment of S.2155 was the first key piece of legislation since the historic S.1153. The CFPB slowed down its rule-making to give smaller financial institutions time to catch up. The NCUA increased transparency with their budget and started on a path to modernize the agency. NCUA issued a refund from the Share insurance fund of \$92,000 for Members Choice. These events were all a result of our trade partners PCUA, CUNA, and NAFCU's work in Washington. I thank all of you who have responded to our call to actions; your efforts made a difference to our national credit union community.

The community of volunteers is so critical to the cooperative's success. I would like to thank the Board whose vision and guidance is the catalyst that allows the management team to excel. 2018 has been a year that three board members have reached milestone service levels.

Matthew Hoeger 10 years and Richard Knouse 25 years of service on the board. Matthew and Rich have provided steadfast guidance and were critical to the growth in assets and products and services over their tenures.

John Packer has completed his 31st year, retiring last December. We will miss John's counsel and his sense of humor. We hope you have enjoyed your time on the board as much as we have enjoyed you being there.

Thanks to all our volunteers; you are the heart and soul of this great organization.

I would like to thank Jim and the executive team for their drive and all this year's accomplishments, and our dedicated staff that provide the world class service our members receive.

As you can see in the financials and the metrics for success, Members Choice had a strong 2018 in all key areas. These accomplishments are only possible with the involvement of the entire community. Great vision, strong execution, and a true focus on member satisfaction were the keys that drove our success in 2018, for that I thank you.

*Mary Fasano*

Board Chair

## Treasurer's Report

Matthew Hoeger – Acting Treasurer

In 2018, the Federal Reserve raised the interest rates four times from 1.50% in December 2017 to 2.50% in December 2018. Surprising growth and strong economic trends were seen in 2018. The labor market seemed to reach full employment during the year. Job creation was above the normal trend during the year and layoffs were near an all time low. With an unemployment level not seen since the 1960's, wages grew. In the final months, hiring slowed as the labor market moved closer to the equilibrium of job growth. Tax relief and a resurgence of energy exploration drove strong capital investments by businesses. Capital spending coupled with steady consumer spending saw the GDP grow 3% for 2018, pulling out of the 2% rut seen in the last two years. Inflation held steady despite the lower tax burden. Some analysts feared that the tax decrease would fuel inflation but the lower tax burden allowed U.S. corporations to better compete with international companies.

Our asset growth was a moderate 4.1% ending the year at \$152 million in assets. Our Capital grew by \$893,444 ending the year at 8.57% and we continued to pay a higher dividend premium compared to our peers by 17 basis points. Our interest rate risk, a key metric, remains low as presented in our Asset Liability Management analysis. We surpassed our plan again this year. The Balance sheet and income statement are presented on pages 6 and 7.

RKL, our independent certified public accountants, have not issued their 2018 audit report. There were no known 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 RKL to perform oversight responsibilities to fulfill the financial 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 RKL and the board to review the annual financial, ACH, and BSA audits.

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.

In 2018 we added a compliance professional to manage our efforts to satisfy an everchanging regulatory environment. Shawn Merritt has embraced key elements of our operation's checks and balances filling this extremely important roll.

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, 2018

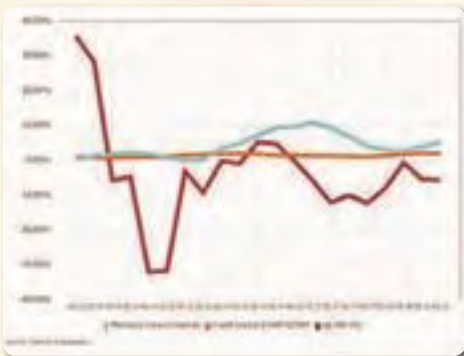
ASSETS		
	2018	2017
Cash and Cash Equivalents	1,737,309	\$ 1,517,892
Investments	22,242,757	26,585,153
Loans to Members	121,154,422	109,918,032
Assets in Process of Liquidation	646,383	1,043,799
Accrued Interest Receivable	396,555	366,535
Property and Equipment	3,908,980	3,731,423
Other Assets	1,758,343	2,640,304
<b>TOTAL ASSETS</b>	<b>\$ 151,844,748</b>	<b>\$ 145,803,137</b>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Members' shares	\$ 136,852,859	\$ 132,244,532
Accounts Payable and accrued expenses	2,352,789	1,542,399
Accrued interest and dividends payable	-	-
Total Liabilities	139,205,647	133,786,930
Members' Equity		
Regular reserve	1,114,195	1,114,195
Retained earnings	11,901,212	11,007,768
Accumulated other comprehensive income	(376,305)	(105,756)
Total Members' Equity	12,639,101	12,016,207
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 151,844,748</b>	<b>\$ 145,803,137</b>

	2018	2017
Interest Income		
Members' loans	\$ 5,258,017	\$ 4,831,633
Investments	571,620	340,323
Total Interest Income	5,829,637	5,171,956
Interest Expense		
Members' dividends	928,024	939,170
Other interest expense	6,112	-
Total Interest Expense	934,136	939,170
Net Interest Income Before Provision for Loan Losses	4,895,501	4,232,787
Provision for Loan Losses	463,141	337,488
Net Interest Income After Provision for Loan Losses	4,432,360	3,895,298
Non-Interest Income	1,582,918	1,316,216
Impairment of corporate member capital account	-	-
Total Non-Interest Income	1,582,918	1,316,216
Total Non-Interest Expense	5,006,273	4,697,508
Net Income From Operations	1,009,006	514,006
Other Gain (Loss)	(115,562)	(12,952)
Corporate Stabilization Expense	-	-
<b>NET INCOME</b>	<b>893,444</b>	<b>501,054</b>

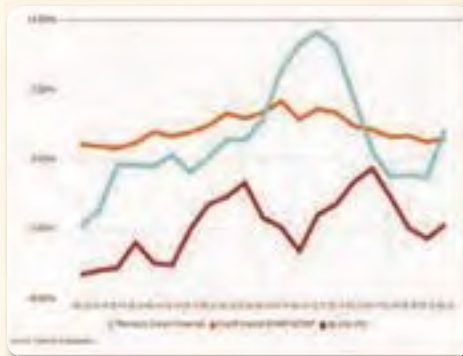


# Metrics For Success

**Member Growth**



**Asset Growth**



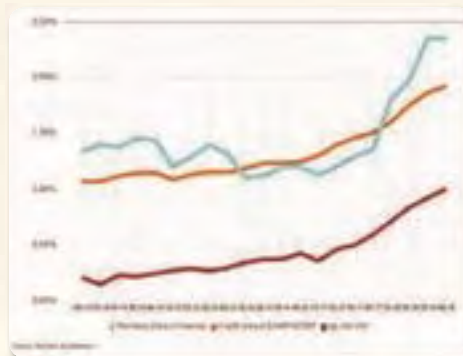
**Loan Growth**



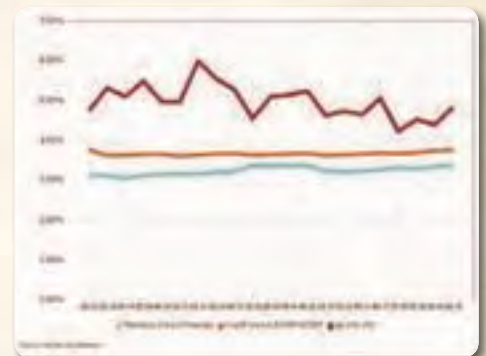
**Loans to Shares**



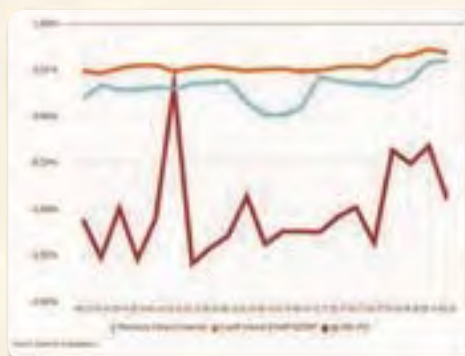
**Yield on Investments**



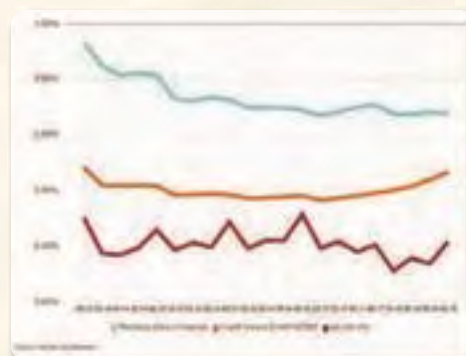
**Operating Expense to Average Assets**



**ROA After NCUSIF Expense**



**Average Dividends Paid**

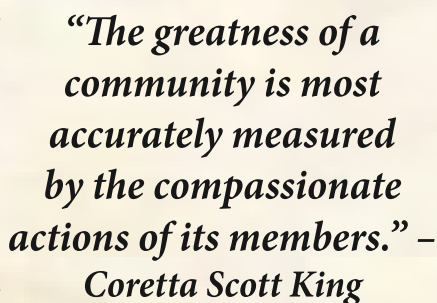


# President's Message

If I could describe 2018 in one word it would be “wonderful”. I could have picked great, outstanding or even fabulous, but I chose wonderful. If you research its meaning you would find all the above; but the tone and character is different. Members Choice serves a wonderful community of members in a way where the fanfare does not get in the way of our purpose, or shall I say that our actions speak louder than the words that describe them; and I think to myself, what a wonderful word.

Welcome to the Members Choice 2019 annual meeting reflecting on the year ended 12/31/2018. We appreciate your attendance and your support as a member. This year we focus on Community. Within every cooperative there is a community; we are a part of the Credit Union Movement, a community that covers the world driven by the mantra “People helping People”.

The book is closed on 2018 and I would like to share the story. In 1934 Congress authored the Federal Credit Union Act allowing the creation of Credit Unions defining our purpose; “promoting thrift among its members and creating a source of credit for prudent or productive purposes.” In 2018 we fulfilled that responsibility by growing our member base by 5.35% and our loan portfolio to members by 10.2%, with a loan to share ratio of 89.5%. Translation; for every dollar we have on deposit we have eighty-nine and a half cents invested in a loan to a member. In all cases we exceeded plan and our peer performance.



***“The greatness of a community is most accurately measured by the compassionate actions of its members.” – Coretta Scott King***

The Federal Reserve was active raising the discount rate 100 bp in 2018 and has announced a pause, at least for now. This has been a long slow road and now a neutral monetary policy as defined by Chairman Powell. Members Choice has positioned our balance sheet to an asset sensitive position allowing us to maximize the impact of additional changes in rate and maintain a low Interest Rate Risk. The Federal Reserve is a member of the regulatory community we interact with.

On the Advocacy front we had a major victory with S.2155 regulatory relief, one of the few bills that passed the Congress in 2018. It had bipartisan support. Our tax exemption was successfully defended again this year. It all hinges on our member owned cooperative

structure which is the key that differentiates us from banks. Both CUNA and NAFCU have heightened their approach and we are seeing more cooperation in Washington on Credit Union issues. Thank you to all of you for reaching out to members of Congress on these important issues.

“Open Your Eyes” to a Credit Union is the new national brand awareness campaign. In national surveys CUNA research detailed that 98% of Americans know what a credit union is but 72% aren’t likely to join. Why? Because they don’t think they are eligible to join. This opens the door to a new strategy. Credit Unions have over 115 million members and a trillion dollars in assets in the United States. Yet, this only represents 7% of the financial services market and for the last 30 years we have remained with this market penetration. That is about to change as we refocus on spreading the message of awareness.

We have restructured our organization in 2018 to prepare for “Plan 250”, our long-term strategic growth plan. Ten years ago, we set our sights on the \$150 million asset class to leverage our cost position and enable us to provide world class products and services. I am here to report that we have achieved that goal and increased our net worth position by 28% achieving a well-capitalized designation under NCUA definition.

A key component of “Plan 250” is structure. As we move into this plan our retail service responsibility will be driven by Elba Arenas Chief Member Experience Officer. Elba’s 25 years of financial services experience and her



# Helping local communities grow.



passion for Financial Literacy and member service is a winning combination. She leads a diverse and skilled team of member support representatives that will make this a short journey to our goal.

Lending is a key component of the growth plan driven by Brian Wiktor our Chief Lending Officer. Brian's 26 years of lending and his acute understanding of the member business space will be the foundation for our lending component of the plan. Brian is joined by a talented lending team each focusing on a specific loan product in our offering.

Reporting and compliance are critical in this business. Jean Miller our Chief Financial Officer has been tasked with the responsibility to ensure compliance and tracking the key metrics as we move forward with the plan. Jean has 25 years of experience in Finance Management. Her development of our Balance Sheet strategy has elevated our earnings capability with low levels of risk. Jean's team is constructed with financial analysts and a compliance professional to ensure we operate in compliance with all regulations and operate in a safe and sound manner.

I thank each of my Senior Team for their focus on delivering the results we are reporting today. It is their tireless support that results in the high-quality products and services we provide members every day resulting in the quality financial performance we delivered.

I would also like to acknowledge our staff for your commitment to our members. It is you that makes the difference in our members lives through your focused and caring delivery. Our Corporate Values eloquently define your role as being critical to our success each and everyone of you. And for that I thank you.

Finally, none of the accomplishments of 2018 would have been possible without the vision and support of our Board and committee volunteers. Unselfishly giving their time and making personal sacrifices to ensure the Credit Union model continues at Members Choice. Mary, Matt, Christine, Rich, Lindsey, Dan, Doug and Tina thank you.

As I close my report this year, we exceeded plan, continue to provide a premium dividend to the membership, delivered world class service and support, enriched our community through a strong financial literacy program and supported great charitable organizations in the communities we serve. That is truly wonderful!

Jim Barbarich  
President & CEO

## Members Choice Corporate Values

**Leading change through innovation.**

*We will invent the future.*

**Leadership through the relentless pursuit of excellence.**

*We own the results.*

**Respect for all, integrity always.**

*We will be open; we will be honest.*

**One team committed to common goals.**

*We are one team focused on one result.*

**Strength through Diversity and Inclusion.**

*Everyone plays an important part in our success.*



# *Congratulations!*

## 2018 Service Milestones

10 YEARS

Jim Barbarich  
Jean Miller

5 YEARS

Wendy Flynn  
Sue Follmer

### Volunteer Milestones

10 YEARS

Matthew Hoeger

25 YEARS

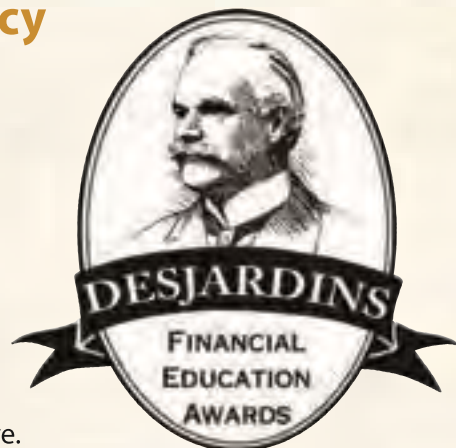
Richard Knouse

### Members Choice Wins Pennsylvania State Desjardin Award for Adult Financial Literacy

#### *Improving the Financial Lives of the Community*

These days, finances are more complex and financial options are more diverse – leading to a knowledge disparity and more opportunity for people to be taken advantage of. To combat these issues, Members Choice has Elba Arenas, and her passion for this cause, to lead its financial literacy program. Elba and her team deliver education to members, not-for-profit organizations, churches and businesses through classes & one-on-one counseling. As a result, Members Choice's financial literacy program impacts our local communities in a positive way. In the past year the credit union has increased its reach significantly in the communities we serve.

The **Desjardins Adult Financial Education Award** recognizes leadership within the credit union movement on behalf of adult financial literacy. They consider all activities supporting the personal finance education of members and nonmembers, including, but not limited to, face-to-face teaching, publicity, lobbying for curriculum requirements, teacher and volunteer training, and promotion and use of the NEFE High School Financial Planning Program® (HSFPP).



# A Lifetime of Service



A Special **Thank You** to  
**JOHN PACKER**

for countless hours of dedication and  
commitment to our members, staff and  
board. We appreciate you more than  
words can say!



# Advocacy

## The Credit Union Movement

New federal laws and regulations are changing the structure and face of the financial services industry. In this time of accelerating change, it is important to truly understand how credit unions are unique and different, and why we remain a necessary and extremely popular financial alternative for millions of Americans.

**Not-for-profit.** Members Choice is a not-for-profit financial cooperative. We exist to serve our members, not to make a profit. Unlike most other financial institutions, we do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to our members in the form of lower loan rates, higher interest on deposits, and lower fees.

**Taxation.** Credit unions do pay taxes - payroll taxes, sales taxes, and property taxes. Congress exempts credit unions from federal income taxes. The exemption was established in 1937, affirmed by statute in 1951, and reaffirmed in 1998 in H.R. 1151, the Credit Union Membership Access Act, which states:

*"Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because credit unions are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means."*

**Ownership.** Credit unions are economic democracy. Each credit union member has equal ownership and one vote -- regardless of how much money a member has on deposit. At a credit union, every customer is both a member and an owner.

**Volunteer Boards.** Each credit union is governed by a board of directors, elected by and from the credit union's membership. Board members serve voluntarily.

**Membership Eligibility.** By current federal statute, credit unions cannot serve the general public. People qualify for a credit union membership through their employer, organizational affiliations like churches or social groups, or a community-chartered credit union.

**Financial Education for Members.** Credit unions assist members to become better-educated consumers of financial services. Additionally, CUNA is partnering with the National Endowment for Financial Education, a not-for-profit foundation, to expand financial education among high school students. A national study shows that just ten hours of personal finance education can positively affect students' spending and savings habits for a lifetime.

**Social Purpose:** People Helping People. Credit unions exist to help people, not make a profit. Our goal is to serve all of our members well, including those of modest means - every member counts. Our members are fiercely loyal for this reason. They know their credit union will be there for them in bad times, as well as good. The same people-first philosophy causes credit unions and our employees to get involved in community charitable activities and worthwhile causes - just ask us.





# The Members Choice Team

## 2018 Board of Directors



Mary Fasano  
Chairperson



Matthew Hoeger  
Vice-Chair/  
Acting Treasurer



Christine Haririan  
Secretary



Richard Knouse  
Board Member



Lindsey Marolf  
Board Member



John Packer  
Board Member



Dan Angel  
Board Member

## 2018 Supervisory Committee

Tina Pontius, Committee Chair  
Doug Bastian  
William Anderson

## Member Service Team

### **Administrative**

James Barbarich, President/CEO  
Elba Arenas, CMO  
Jean Miller, CFO  
Brian Wiktor, CLO

### **Danville/Merck**

Kristen Bastian, Loan Officer  
Jennifer Donnelly, Collections Asst.  
Jenice Diamond, MSR  
Wendy Flynn, MSR II  
Mary Gratti, Loan Servicing Asst.  
Kelsey Hartzler, Loan Officer  
Heather Johnson, Loan Officer  
Carla Schmidt, Collections Manager  
Diane Treas, MSR  
Natalie Wagner, Lead MSR

### **Bloomsburg**

Nicole Calame, Lead MSR  
Emmanuel Mindo, MSR  
Melissa Tarlecki, MSR II  
Dana Tripp, Indirect Lending Manager

### **Lewisburg**

Doreen Artley, Lead MSR  
(Lewisburg & Evan)  
Susan Follmer, MSR/Indirect Support  
Diana Metzger, Loan Officer  
Susanne Welte, MSR/Indirect Support  
David Zerbe, MSR II

### **Evangelical**

Cathy Cooper, MSR  
Barbara Gemberling, MSR II

### **Mount Carmel**

Carol Altomare, Lead MSR  
Dylan Dombroski, MSR  
Debra Kowaleski, Universal MSR

### **Floating MSR's**

Elizabeth Brown, MSR  
Anna Buck, MSR  
Bradley Dennis, MSR  
Ashley Pyle, MSR  
Atrice Reichelt, MSR  
Sarah Vesey, MSR

### **Call Center**

Karen Blue, Call Center MSO  
Alexandra Munshower, MSO  
Janet Williams, Call Center MSO

### **Corporate Support**

David Ilgen, IT Manager  
Zachary Lytle, IT Support  
Diann Menapace, Training Coord.  
Shawn Merritt, Compliance Officer  
Jessica Mordan, Accountant  
John Micklo, Back Office Support  
Emily Showers,  
HR Manager/Sr. Admin. Asst  
Sue Traver, Marketing

# 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



**Merck Cherokee Pharmaceuticals**

100 Avenue C  
Riverside, PA 17868



**mcfcu.org**  
**800.834.0082**