

Annual Report 2010

# Members TRUST

of the  
Southwest  
Federal  
Credit Union



1936

75th Anniversary

2011

## President's Message

A lot of changes have taken place in 2010. There are always changes taking place in our world, but in credit union land it was a year where more than the normal number of changes took place. Changes can be good and/or bad, until we can look back at history to judge the changes, sometimes we do not know which side of the fence they may fall. I would like to commend our staff at the credit union for stepping up and meeting those challenges head on.

In our credit union, we had a transition at the President/CEO position. Curby had been the CEO for over 33 years. So, that was a big change in itself. Curby worked for Houston Milk Producers/Members Trust of the Southwest for over 40 years. Not too many people can make that kind of claim. I would like to acknowledge again the contributions that he made over the years. Congratulations and best wishes to both Curby and his wife Melva in their retirement.

In addition, two other employees, Melinda Watkins in Houston and Ruth Ann Fagan in Stephenville made the decision to retire. Melinda's retirement was in January and Ruth Ann in July. I wish each of them the best in their retirement.

On a more global basis, another change that took place was in our over all economy. We started into a recession in 2009 and while we are technically out of the recession, a lot of people are still not feeling real positive about the economy. We are still looking at high unemployment rates by historical standards and still seeing a lot of under employment. Many of our members have felt the squeeze in their financial situations. The credit union is here to help people in these situations, but I must remind you, we are lenders and not gift givers. There are times when we must say no to a loan if there is poor credit history and low repayment ability. But the credit union philosophy is still in place and the reason for our existence, "for people, not for profit."

Of course things have progressed through the years, but the financial cooperative spirit of credit unions lives on. I would say as regulations become more acute, they are not always in favor of continuing this cooperative spirit...many times they are repressive of this philosophy.

Another external factor that impacted the bottom line of all credit unions, were assessments related to our regulator and our corporate credit union. Together these expenses amounted to \$477,382.94 for MTFUCU. These are expenses that we would not expect in more normal times. To achieve a

net income of \$512,665.00 in 2010 was very positive. There were many credit unions that were unable to show positive income for the year. There will be some ongoing impact from this element over the next five to six years, but they should be reduced as we move into future years.

So how did we manage to make this work? By managing expenses and our loan portfolio performing relatively well. As we move into the future, the challenge is keep our efficiency up and maintain the margin on our cost of funds and loan and investment yields.

Credit unions are required to maintain a certain level of capital. At year end, our capital ratio was 7.63%. This meets the regulatory requirement of 7% by NCUA to be considered as a well capitalized credit union. However, in the future this standard may change and a higher level of capital may be required.

In August of 2010, your board, supervisory committee and management team took part in a Strategic Planning Session for one day. The outcome of that session boiled down to a couple of objectives. One was to enhance financial soundness by sustaining the capital ratio in a range of 8% to 10%. We are well on our way to reaching the 8% target for this year as we closed February with a capital ratio of 7.78%. The only way that a credit union can increase capital is by retaining earnings. So, having a positive bottom line is very important.

Another change is the increased number of regulations that credit unions are dealing with. Changes in Regulation Z (lending), changes in interchange fees at the retail level, increased requirements for director training, all are adding to the cost structure of any financial institution with minimal return, if any, to the bottom line. One auditor told me recently there have been more new regulations in the past 18 months than in the previous 10 years before that.

I thank the board of directors for selecting and giving me the opportunity to move into the position of President/CEO. This has been an honor and a challenge for me. I appreciate their confidence.

Finally, in this 75th year of credit union operation, I would like to suggest that we look to the future while celebrating the past. As I stated at the onset, this was a year of change and this credit union will continue to evolve and answer the challenges of change.

Brian C. Gilbert,  
President/CEO

## Supervisory Committee Report

The Supervisory Committee is comprised of three members who are appointed by the Directors. They must be from the membership of the credit union and none can be paid employees. Only one of the committee members may be a director of the credit union.

The committee's responsibility is to assure the safety and soundness of the credit union by evaluating the performance of the credit union employees and the board of directors. Recommendations and/or suggestions are made to enhance operations to the benefit of the membership.

Because of the complexity of the credit union, the Supervisory Committee elected to hire an outside audit team to conduct the annual audit in 2010. The auditors were from Credit Union Resources, Inc., Financial and Technology Resources which is a subsidiary of the Texas Credit Union League. The audit dates were for the eleven (11) month period ending on September 30, 2010 and the final report was dated February 16, 2011. I am happy to say that this audit revealed the "overall records and operations of the credit union were found in good condition. Noted exceptions were minor."

Supervisory Committee Members attend each board meeting to stay abreast with the month to month changes that may be taking place at the credit union. In addition, to the external annual audit discussed above, internal audits are conducted quarterly and compliance audits are conducted semi-annually.

The credit union staff should be commended for their efforts in this regard.

Margaret "Meg" Moore,  
Chairman

## Financial Statements

BALANCE SHEET	As of 12/31/2010	As of 12/31/2009
<b>ASSETS</b>		
Loans	49,705,963	48,510,667
Less Allow for ln losses	(1,445,869)	(1,274,218)
Net Loans	48,260,094	47,236,449
Cash	788,116	2,252,896
Investments	12,799,941	6,430,126
Land, Building and Equipment	688,387	738,858
NCUA	591,651	504,339
Assets Acquired in Process	0	0
Other Assets	1,154,295	758,333
<b>Total Assets</b>	<b>64,282,484</b>	<b>57,921,001</b>
<b>LIABILITIES</b>		
Total Borrowings	0	0
Accts. Payable	338,461	363,964
Dividends Payable	125	221
<b>Total Liabilities</b>	<b>338,586</b>	<b>364,184</b>
<b>EQUITY</b>		
Member Shares	59,676,536	54,242,415
Member Capital	4,267,362	3,314,402
<b>Total Equity</b>	<b>63,943,898</b>	<b>57,556,817</b>
<b>Total Liabilities &amp; Equity</b>	<b>64,282,484</b>	<b>57,921,001</b>
<b>INCOME &amp; EXPENSE STATEMENT</b>		
INCOME	2010	2009
Interest on loans	3,414,080	3,452,621
Interest on Investments	325,326	247,797
Other Income	627,456	724,363
<b>Total Income</b>	<b>4,366,862</b>	<b>4,424,780</b>
<b>EXPENSES</b>		
Operations Expenses	2,089,868	2,201,742
Provision for loan losses	410,624	1,077,446
Miscellaneous Expenses	25,758	7,189
<b>Total Expenses</b>	<b>2,526,250</b>	<b>3,286,377</b>
Less: Interest on Borrowing	(572)	(7,153)
Less: Dividends paid to Mbrs	(859,834)	(1,113,568)
Disp of Fixed Assets: gain/(loss)	9,841	(2,706)
NCUA Stabilization Expense	(191,256)	(75,809)
Depletion SWC Membership Capital	(286,126)	(234,967)
<b>NET INCOME</b>	<b>512,665</b>	<b>(295,800)</b>

## Board & Staff

### Board of Directors

Johnny Leibham, *Chairman*  
Kevin Kleb, *Vice Chairman*  
Lori Carter, *Secretary*  
Don Bornemann, *Director*  
Wayne Benfer, *Director*  
Clarence Helfrich, *Director*  
Henry Schmidt, *Director*

### Supervisory Committee

Margaret "Meg" Moore, *Chairman*  
Don Bornemann  
Leslie Schultz

### Office Staff

Brian C. Gilbert, *President/CEO*  
Liliana Burasi Canga, *Vice President Accounting*  
Mark Button, *Operations/Technology Manager*  
Karen Kime, *Branch Manager, Stephenville*  
Cynthia Adkins, *Teller/Member Services Representative*  
Jill Jameson, *Loan Officer*  
Tom Dowell, *Senior Credit Analyst/Loan Officer*  
Brenda Gaines, *Loan Assistant/Processor*  
Jose Jones, *Teller Supervisor*  
Mary Lowe, *Loan Processor/Collector*  
Donna Seiber, *Teller/Member Services Representative*  
Neida Montez, *Teller/Member Services Representative*  
Lisa Ortiz, *Teller/Member Services Representative*  
Erica Hurtado, *Teller/Member Service Representative*  
Alexandra Oswald, *Teller/Member Service Representative*  
Sharda Prasad, *Loan Clerk*  
Michelle Rose, *Teller/Member Service Representative*  
Nadia Zlatkova, *Accounting Clerk*  
Claudia Perez, *File Clerk*

## Locations

### Houston Office

2315 Mangum Road  
Houston, TX 77092  
(713) 681-0339

### Stephenville Office

2311 Northwest Loop  
Stephenville, TX 76401  
(254) 968-8543

### Toll-Free Number

(800) 683-6455

### Private\*Line for Audio Response

(713) 263-9453 • (800) 929-3016

### Website

[www.mtfcu.coop](http://www.mtfcu.coop)

### Mission Statement

Members Trust FCU is dedicated to the philosophy of "members helping members" by providing quality financial services.

