



# Annual Report 2011



## President's Message

Each year we take a little time to review where we have been during the previous year. Not that we need to waste a lot of time looking in our rear view mirror, though we can learn from our past. As we plan for the future we are always fine tuning our course within the confines of our larger strategic plans.

For Members Trust Federal Credit Union, 2011 was a good year financially. We had a moderate growth of a little over 5% in assets. Income was a little over a million dollars which gave us an ROA (return on assets) of 1.50%. This is a very good number for a financial institution particularly with the assessments that all credit unions have had over the last several years. To put this in perspective, our credit union peer group had an average ROA of .39% for 2011. So MTFCU had a very good income year.

One thing that we were able to do because of this income level was to return a special extra year-end dividend to the members. This extra payment was \$46,196.00 or approximately one extra month of dividends. This dividend was paid on December 31, 2012 after the regular dividend was posted. The calculation was based on the amount of interest a member depositor had made during the year. This is an added value that you will not receive from a non-cooperative financial institution.

Positive earnings also allows for an increased capital structure which is one of the key ratios to indicate the strength of a financial institution. We ended the 2011 year with a capital to asset ratio of 8.74%. This was up from 7.63% at year-end 2010. In a strategic planning session in August of 2010, your board of directors set a goal to reach and maintain a capital ratio of between 8% and 10% within the next 3 to 5 years. We have reached the target much more rapidly than most anticipated, but as I pointed out last year, with changes that are taking place in the regulatory environment, we can- not become too comfortable or complacent. There may be changes in the future that may require a higher level of capital for credit unions as well as other financial institutions.

The increased capital structure allows for growth of the credit union. The reason growth is important is that in most cases, larger credit unions have performed better than smaller credit unions. This can be attributed in part to operational efficiencies gained by size and scale. We are seeing this in our industry as technology costs and the costs of offering services to our members are increasing and yet our members are requesting and requiring that we keep up with technology. If we are unable or unwilling to provide the service, then our members may not complain but they may likely vote with their feet and go elsewhere.

Another issue that has impacted efficiency at all credit unions is the increased cost of compliance. The increased burden of regulatory requirements has mushroomed over the last few years. While safety and soundness of financial institutions is a good and noble cause, regulation and the documentation of complying with the regulations does not come without a price. Once again, this cost spread over more users, does offer some lower operational costs.

We should be aware that there are fewer credit unions each year. As consolidation in the industry occurs, we want to make sure that we are taking the steps for this credit union to survive well into the future to serve its members. Of course, we can lower cost and lower member service to the point that members are completely dis-satisfied. That is not the objective at all. We are striving to meet our member's needs in a cost effective manner. After all, Our Mission Statement is "we are dedicated to the philosophy of members helping members by providing quality financial services." I would like to thank our staff at MTFCU for their dedicated service to the above philosophy. We are very fortunate to have the caliber of staff that can step in and take care of members in an efficient and friendly manner. Their effort is invaluable.

As always, it is a pleasure to work with the volunteers of the credit union. I am speaking of your board and supervisory committee members. They give of their time, because of their belief in the credit union cooperative idea. So, thanks to each of them.

Our members are the only reason for our existence. I wish to express my appreciation to each of you for your loyalty to MTFCU. We hope that we are meeting your financial needs and if you are not pleased with something that we are doing, please let me know. I encourage each member to help us in marketing the credit union to your family. A positive word from you is worth more than any amount of advertising that money can buy.

Now, as we look forward into 2012, we are looking forward to another good year for MTFCU.

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 is listed separately within this annual report.

The committee's function as defined by NCUA is to assure the safety and soundness of the credit union. Evaluation of the employees and board of directors performance in maintaining the records and assets of the credit union. Recommendations and/or suggestions are made to enhance operations to the benefit of the membership.

As in years past, the Supervisory Committee hired an outside audit team to conduct the annual audit in 2011. 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 period was from October 1, 2010 through October 31, 2011. I am happy to say that this audit revealed the "overall records and operations of the credit union were found in good condition and all noted exceptions were very minor. In addition, to the external annual audit discussed above, internal audits are conducted quarterly and compliance audits are conducted semi-annually.

Supervisory Committee Members attend board meetings and have input at each meeting. While committee members do not vote on the issues, they are able to voice their opinions and take positions on each issue. We meet with NCUA Examiners as required, along with the board of directors.

I would say that as regulatory challenges increase, it becomes more difficult each year to keep up with rules, regulations and laws. However, it is the opinion of this committee that Members Trust is meeting those requirements.

It is a pleasure to serve with the board and my fellow committee members.

Sincerely,

Margaret "Meg" Moore,  
Chairman

## Financial Statements

BALANCE SHEET	As of 12/31/2011	As of 12/31/2010
<b>ASSETS</b>		
Loans	48,352,678	49,705,963
Less Allow for ln losses	(1,190,978)	(1,445,869)
Net Loans	47,161,701	48,260,094
Cash	1,744,376	788,116
Investments	14,663,756	12,799,941
Land, Building and Equipment	683,027	688,387
NCUA	600,914	591,651
Assets Acquired in Process	769,336	0
Other Assets	1,977,652	1,154,295
<b>Total Assets</b>	<b>67,630,762</b>	<b>64,282,484</b>
<b>LIABILITIES</b>		
Total Borrowings	0	0
Accts. Payable	437,075	338,461
Dividends Payable	51	125
<b>Total Liabilities</b>	<b>437,126</b>	<b>338,586</b>
<b>EQUITY</b>		
Member Shares	62,053,422	59,676,536
Member Capital	5,140,214	4,267,362
<b>Total Equity</b>	<b>67,193,636</b>	<b>63,943,898</b>
<b>Total Liabilities &amp; Equity</b>	<b>67,630,762</b>	<b>64,282,484</b>
<b>INCOME &amp; EXPENSE STATEMENT</b>		
INCOME	2011	2010
Interest on loans	3,288,300	3,414,080
Interest on Investments	381,848	325,326
Other Income	572,325	627,456
<b>Total Income</b>	<b>4,242,472</b>	<b>4,366,862</b>
<b>EXPENSES</b>		
Operations Expenses	2,017,507	2,089,868
Provision for loan losses	367,666	410,624
Miscellaneous Expenses	18,553	25,758
<b>Total Expenses</b>	<b>2,403,726</b>	<b>2,526,250</b>
Less: Interest on Borrowing	(1,624)	(572)
Less: Dividends paid to Mbrs	(660,766)	(859,834)
Less: Bonus Dividends paid to Mbrs	(46,196)	0
Disp of Fixed Assets: gain/(loss)	27,661	9,841
NCUA Stabilization Expense	(150,229)	(191,256)
Depletion SWC Membership Capital	0	(286,126)
<b>NET INCOME</b>	<b>1,007,593</b>	<b>512,665</b>

## Board & Staff

### Board of Directors

Kevin Kleb, *Chairman*  
Johnny Leibham, *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*  
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*  
Neida Montez, *Teller/Member Services Representative*  
Lisa Ortiz, *Teller/Member Services Representative*  
Sharda Prasad, *Loan Clerk*  
Michelle Rose, *Teller/Member Service Representative*  
Nadia Zlatkova, *Accounting Clerk*  
Claudia Perez, *File Clerk*  
Lynsey Kennemer, *Teller/Member Service Representative*  
Jon Sykora, *Teller/Member Service Representative*  
Tonya Vaughn, *Teller/Member Service Representative*  
Shelly Wakefield, *Teller/Member Service Representative*

## 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.



Federally Insured by NCUA