



**PRINCIPLES**

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**FRONT & CENTER**

CU\*ANSWERS 2013-2014 REPORT TO OWNERS

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**AT CU\*ANSWERS, WE'VE BEEN TAKING CONSCIOUS STEPS TO PRACTICE WHAT WE PREACH. DAY IN AND DAY OUT, THE SEVEN PRINCIPLES REMAIN OUR CONSTANT GUIDE FOR BUILDING A COOPERATIVE THAT WORKS FOR YOU.**

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IN THE PAST TWO YEARS WE'VE MADE TREMENDOUS STRIDES, BUT WE BELIEVE WE CAN DO EVEN MORE TO ENHANCE THE GREATER GOOD OF OUR COMMUNITY, CREDIT UNIONS, AND MEMBERS. BY CONTINUING TO KEEP THE SEVEN PRINCIPLES FRONT AND CENTER, MONITORING OUR PROGRESS, AND TAKING SPECIFIC ACTIONS TO RAISE OUR COOPERATIVE SCORE, WE CAN ALL EXPERIENCE A GREATER MEASURE OF SUCCESS.

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## PRINCIPLES THAT KEEP US ON TRACK

Throughout my years on the CU\*Answers Board of Directors and my term as its chairman, the primary question my peers ask me hasn't changed much: Is there really any difference between CU\*Answers and its competitors? As always, my answer is still a resounding, "Yes." Like every cooperative, CU\*Answers is led by its customer owners. CU\*Answers is unique in that the Board also specializes in cooperatives as part of their careers and day-to-day lives. I believe CU\*Answers will always be well served by the fact that its Board lives the cooperative principles as much as it touts them.

The one thing that has changed is that we have more time than ever to spend on refining who we are as a cooperative. Back in the day, we were consumed by what we needed to do as a vendor. Today, I believe we have a healthy balance for our Board's focus: We continue building products and services that we can personally endorse as users. And we maintain a constant focus on being different from other vendors by fulfilling the promise of the customer-owner design.

As a credit union CEO, I strive for this same balance myself. I'm a designer of the products and services I use as a member, and I differentiate those products and services by counting on the cooperative principles.

It is for that reason we decided to highlight our commitment to the Seven Cooperative Principles once again in this Report to Owners.

I hope you enjoy this report.

A handwritten signature in black ink that reads "Chris Butler". The signature is written in a cursive, flowing style.

**CHRIS BUTLER, CHAIRMAN OF THE BOARD**

CEO, Community Credit Union, La Crosse, Wisconsin  
Board Member since 2001



**In the 1840s, one of the very first cooperatives established a set of seven principles that today form the business model for co-ops everywhere. These ideals inspire customer-owner business leaders to build great organizations.**

**We keep these principles front & center in every decision we make, every policy we establish, and every procedure we follow. As cooperatives across the country have found, these principles are key to becoming a more successful business. As credit unions have found, these principles can rally the everyday consumer to make a difference, through working hand in hand with their peers.**



AS A COOPERATIVE, CU\*ANSWERS WALKS THE TALK. WATCH FOR THIS SYMBOL TO SEE EXAMPLES OF THE MANY WAYS WE PUT COOPERATIVE PRINCIPLES INTO ACTION FOR THE BENEFIT OF OUR OWNERS AND CLIENTS.

# 1

## **VOLUNTARY AND OPEN MEMBERSHIP**

While credit unions have defined market demographics for their field of membership, the cooperative principle of Voluntary and Open Membership speaks to the idea that all qualified consumers are welcome, embraced, and valued. You own, by simply participating.

# 2

## **DEMOCRATIC MEMBER CONTROL**

Credit union members enjoy equal voting rights, and the men and women who serve as elected representatives are accountable to the membership. Likewise, CU\*Answers leaders are accountable to all of the CUSO's customer owners. The power of ownership is at its strongest when owners experience the democratic process.

# 3

## MEMBER ECONOMIC PARTICIPATION

Via their elected representatives, members have control over how the cooperative's capital is used – for developing the cooperative, paying dividends, or supporting any other activities agreed upon by the members. The power of that ownership is amplified when the member owner is paid in dollars.

# 4

## AUTONOMY AND INDEPENDENCE

Cooperatives value the autonomy and independence of their communities and the rights of members to be individuals, unique within the cooperative. The common bond is at its strongest when its members see diversity as strength.



# 5

## EDUCATION, TRAINING AND INFORMATION

The power of ownership is the ability to gain insight into how cooperative businesses work, so that members can become better buyers and better owners of cooperative services. Cooperatives - credit unions - educate members to see the value from both sides of the table. Education is a foundation, and life learning for all participants of the cooperative is the goal. Cooperatives educate their members, elected representatives, managers, and employees so that everyone can contribute to making the cooperative stronger than ever.

# 6

## COOPERATION AMONG COOPERATIVES

Cooperatives can serve their member owners best by working together – locally, regionally, and nationally – and by encouraging all participants to default to collaborative responses when approaching business problems.

# 7

## CONCERN FOR COMMUNITY

Today “community” is used to represent a common mindset, affiliation, or any other way in which people identify with each other. This principle speaks to a respect for peers who share common goals, challenges and who choose to work together toward everyone's success.

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# 1

## VOLUNTARY AND OPEN MEMBERSHIP

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**“At Honor Credit Union we work hard to make sure our community knows we value everyone who joins us in building a strong future for our customer owners. CU\*Answers values the contributions of every participant in the same way. Making sure CU\*Answers finds a way to learn and earn with its clients is a constant focus of the CU\*Answers Board.” - SCOTT MCFARLAND**



## Of Course!

The heart of a co-op is, of course, cooperation. On every level, the CU\*Answers “Of Course!” program lets credit union CEOs reach out to their peer members. This private online community for CU\*BASE enables credit union CEOs to share working practices, learn from others’ experiences, find solutions, enrich their knowledge, and increase their Cooperative Score.

Learn more: <http://ofcourse.cuanswers.com>





**SCOTT MCFARLAND, VICE CHAIR**

CEO, Honor Credit Union, St. Joseph, Michigan  
Board Member since August 2009



**JEFF JORGENSEN, DIRECTOR**

CEO, Sioux Empire Federal Credit Union, Sioux Falls, South Dakota  
Board Member since December 2009



## DEMOCRATIC MEMBER CONTROL

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**“What could be more important to an owner than the right to vote? While ‘cooperative ownership’ might still be a vague and fuzzy term for credit union members, it is crystal clear here at CU\*Answers. We make sure that we amplify this ownership right everywhere we can. ‘One owner, one vote’ ensures the power of every voice. Our respect for democratic control drives every CU\*Answers owner to consider their voice in our future as real and significant.” - JEFF JORGENSEN**



### BOARD ELECTION SERVICES

How do you get your online members to experience something as uniquely cooperative as the power of ownership? How about having them vote while they're checking their balances online? CU\*Answers Board Election Services can help you increase your Cooperative Score by including all members in the power of ownership.

Learn more: <http://www.cuanswers.com/solutions/marketing/election-management-service/>

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# 3

## MEMBER ECONOMIC PARTICIPATION

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**“Patronage is an investment! And as with any investment, the owner wishes to participate in the decisions, in the effort, and in the returns. I want members to know that they own my credit union, and I want members to feel that they are vested in the economics of how we act as a community. That is why at CU\*Answers, we spell it out in our Board Member Handbook. Because if you do not plan to distribute the returns of the firm to its owners, you are planning to fail.” - LINDA BODIE**



CU\*Answers' CollabRebate reinforces the value of economic participation by rewarding credit unions who participate in collaborative activities with other credit unions. Getting involved with the network not only ups your Cooperative Score, it earns you points from CU\*Answers, which you can redeem for cash deductions from your monthly invoice. CU\*Answers will even pay for new ideas about how our members can earn rebates in the future.

Learn more: <http://score.cuanswers.com/>



**LINDA BODIE, BOARD MEMBER**

Chief + Innovator, Element Federal Credit Union, Charleston, West Virginia  
Board Member since 2013



**VICKIE SCHMITZER, SECRETARY & TREASURER**  
CEO, Frankenmuth Credit Union, Frankenmuth, Michigan  
Board Member since October 2007

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# 4

## AUTONOMY AND INDEPENDENCE

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**“At Frankenmuth Credit Union we’re always on the lookout for the unique perspective that comes from our members. We thrive on the diversity of our members and the solutions that they inspire. As a CU\*Answers Board member, I want to make sure that CU\*Answers never forgets that the next great idea for our success might take us in a new direction. Respect for the autonomy and independence of different-minded thinkers is a guarantee that we will never deny the catalyst for innovation.”** - VICKIE SCHMITZER



### TELL ME WHY I'M WRONG

Coming in 2015, a new forum for independent thinkers to contribute their ideas and go head to head with industry participants who see things differently. A network is only as strong as the pro-and-con debates it's willing to take on.

Learn more: <http://tellmewhyimwrong.com>

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# 5

## EDUCATION, TRAINING AND INFORMATION

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**“Our members want us to educate them on the ins and outs of our products and services: how things work. But our member owners also want to know how the business itself works, so those insights can make them better consumers. It is no different at CU\*Answers. Our users want the very best from our trainers on how a tool works. Our vested owners want to know how to get the best returns from learning how to partner with their technology vendor to meet credit union goals. I want CU\*Answers to teach me how to be a CEO that maximizes every interaction with my core processing partner.” - DEAN WILSON**



### LEARN FROM A PEER

Our Learn From a Peer tool kits give credit unions insight into the big picture. “Do I need to change the way I’m acting so my credit union can succeed?” “Do we need to change the solution so the network can succeed?” “Do we need to change business practices so the CUSO can succeed?” Learn From a Peer is the ultimate open book for sharing what customer owners are doing, thinking, and dreaming about.

Learn more: <http://help.cubase.org/cubase/> (search “Learn Peer”)





**DEAN WILSON, DIRECTOR**

CEO, FOCUS Credit Union, Wauwatosa, Wisconsin  
Board Member since January 2008



JODY KARNES, CHIEF INFORMATION OFFICER

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# 6

## COOPERATION AMONG COOPERATIVES

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**“What makes a great partnership, or a great integration of solutions? As a technician, I think it has to be more than a great two-way design. It takes two firms that can talk apples to apples. In the same way, cooperatives need partners that can talk the talk, walk the walk, and trust that both sides have the same drive for success. Apples to apples—cooperative to cooperative.” - JODY KARNES**



**cuasterisk.com**

cuasterisk.com is the ultimate walk-the-talk project for proving that CU\*Answers wants to work with other cooperatives. The cuasterisk.com community is made up of CUSOs and their credit union owners. These professionals believe that working together is the best way to leverage their strengths and give their customer owners a diverse set of solutions for getting things done. cuasterisk.com combines both geographical communities and diverse talents to build a network response to everything credit union.

Learn more: <http://cuasterisk.com/>



## CONCERN FOR COMMUNITY

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**“A sense of ownership and responsibility, of belonging, of reaping the rewards that come from community pride – those things make up the fabric of our country and our economic system. As a credit union, it’s important that our members trust that we are vested in their community. At CU\*Answers, the Board and owners live the credit union industry and prove our commitment to it through every interaction.” - DON MILLS**



### FINANCIAL LITERACY SERIES FOR CREDIT UNION BOARD DIRECTORS

Volunteers are the lifeblood of the credit union community. When they need something, CU\*Answers acts. For example, our Financial Literacy Series was designed to meet the needs of credit union executives who are responsible for guaranteeing that their Board members are an industry asset and a competitive difference.

Learn more: <http://finlit.cuanswers.com/>



**DON MILLS, DIRECTOR**

CEO, Alpena Alcona Area Credit Union, Alpena, Michigan  
Board Member since June 2010

## CU\*ANSWERS AT A GLANCE

# 1,700,000

## MEMBERS

CU\*ANSWERS SERVES OVER 1.7 MILLION MEMBERS



CU\*ANSWERS HAS:

## 128 OWNERS



CU\*ANSWERS SERVES:

# 178

## CREDIT UNIONS



CU\*ANSWERS SERVES CREDIT UNIONS IN:



CU\*ANSWERS SERVICES:

# 933



## EMAIL ACCOUNTS

2014	2012	2010
933	870	723



CU\*ANSWERS WEB SERVICES HOSTS:

# 295 SITES

2014  
295



2012  
168



2010  
128



CU\*ANSWERS REPRESENTS:

# 509

DOMAINS

2014  
509



2012  
392



2010  
303



CU\*ANSWERS HOSTED  
MORE THAN:

# 325

WEB CONFERENCES  
LAST YEAR



**BOB FRIZZLE, CHIEF FINANCIAL OFFICER**



# FINANCIAL HIGHLIGHTS

## FINANCIAL INFORMATION

	2014	2013	% Change	2000	Average Annual Growth %
<b>Balance Sheet</b>					
Total Assets	26,861,506	26,059,876	3.1%	5,814,371	25.9%
Total Liabilities	14,343,235	15,620,014	-8.2%	3,705,739	20.5%
Stockholder Equity	12,518,271	10,439,862	19.9%	2,108,632	35.3%
<b>Income Statement Revenues</b>	42,551,043	38,003,308	12.0%	9,026,928	26.5%
Income Before Taxes & Patronage Dividend	3,126,140	2,175,542	43.7%	333,728	59.8%
Patronage Dividends	2,050,000	1,350,000	51.9%	225,000	57.9%

## OTHER FINANCIAL INFORMATION

<b>Stockholder Equity</b>					
Common Stock - Class A	256,000	236,000	8.5%	98,000	11.5%
Common Stock - Class B	-	-		503,040	
Additional Paid-In Capital	10,137,684	8,224,684	23.3%	939,626	69.9%
Retained Earnings	2,124,587	1,979,178	7.3%	567,966	19.6%
Total	12,518,271	10,439,862	19.9%	2,108,632	35.3%

## CREDIT UNION RELATIONSHIPS

CUSO Owners	128	118	8.5%	49	11.5%
Online Members Processed	1,424,213	1,280,072	11.3%	394,066	18.7%
Number of Credit Unions	159	154	3.2%	61	11.5%
Self Processing Members Processed	201,009	197,275	1.9%	149,816	2.4%
Number of Credit Unions	9	9	0.0%	12	-1.8%
Item Processing Credit Unions	2	2	0.0%	42	-6.8%
Total Credit Union Relationships	170	165	3.0%	115	3.4%

Contact CU\*Answers for the Report of Independent Auditors and complete Audited Financial Statements.

## THEMES THAT NEVER GET OLD

Every other year we sit down and brainstorm on what to wrap around our bi-annual report to our owners. The core of any report to owners is pretty consistent: balance sheet, income statement, shareholder value, Board Director resumes, a letter from the Chairman, and a letter from the CEO. The marketers in the room are excited to find a new look, a new slogan, a new clever way of marketing the report as fresh, new, and stylish.

I simply want to remind everyone about the constants in our collaborative that I believe drove us in the past and will continue to drive our success in the future: faith in the cooperative model and the power of customer ownership.

This time the marketers relented and allowed us to create a sequel to the 2011-2012 Front & Center report to owners. I think it would be valuable to read both reports on the same day. Judge for yourself the commitment we have to our stockholders to make sure we build a company that respects the promise represented by customer ownership. Compare the quotes from our leaders and see the consistency they bring to the table, as well as their constant focus to evolve these principles to meet today's challenges. See the success in the numbers and look for the hints that will ensure our future, based on the financial strength on which our cooperative is building.

Much of 2014 was motivated by the idea of Walking in the Members' Shoes. As we look forward, I can think of no more powerful inspiration for working just as hard to build this cooperative as the CEOs of credit unions work to build theirs. We are a network of cooperative designers focused on our customer-owners' success. I hope you will see that our 2013-2014 results signal that commitment.

A handwritten signature in black ink, appearing to read 'Randy Karnes', with a stylized, elongated horizontal stroke at the end.

**RANDY KARNES, CHIEF EXECUTIVE OFFICER**



# EXECUTIVE COUNCIL

Back: Bob Frizzle, Scott Page  
Front: Geoff Johnson, Randy Karnes, Jody Karnes



# LEADERSHIP TEAM

## EXECUTIVE COUNCIL

**Randy Karnes**  
CEO since 1994

**Bob Frizzle**  
CFO since 1997

**Jody Karnes**  
CIO since 1994

**Geoff Johnson**  
COO since 2005

**Scott Page**  
EVP since 1989

## CUASTERISK.COM PARTNERS

**Scott Collins**  
President, Xtend, Inc. since 2003

**Greg Smith**  
President, CU\*NorthWest since 2005

**Leo Vaulin**  
President, CU\*South since 1990

**Bret Weekes**  
President, eDOC Innovations since 1998

**David Wright**  
President, Site-Four since 2012

## EXECUTIVE MANAGEMENT TEAM

**Martha Anderson**  
VP Delivery Services since 2000

**Jack Carpenter**  
VP Production since 1996

**Karen Chesbro**  
VP Item Processing since 1978

**David Damstra**  
VP of Marketing Services and Creative Director since 2005

**Rebecca Frankowski**  
VP of Finance since 2007

**Melinda Haehnel**  
VP Marketing and Public Relations since 2000

**PJ Haehnel**  
VP Administration since 1974

**Brian Maurer**  
VP Software Development since 2012

**Dawn Moore**  
VP Writing Team/Product Design since 1995

**Matt Sawtell**  
AVP Managed Technology Services since 2002

**Mary VanAntwerp**  
VP of Quality Control since 2003

**Jim Vilker, NCCO**  
VP Professional Services since 2006

**Laura Welch-Vilker**  
VP Client Services and Education since 1994

**Dave Wordhouse**  
VP Network Technologies since 2002

I'd like to express my heartfelt thanks to Melinda Haehnel, a long-time partner who is retiring this year. Melinda has been a creative force in communicating our culture, letting the world know we are more than just technical products and services. Her commitment to the credit union model ensured we put our best foot forward in publications like this one and many others. Her sense of taste, her drive for a message with heart, and her concern for the readers of our message have always shined through. I will miss her when we sit down to brainstorm on the 2015-2016 report, as I'll miss her everyday contribution to getting the word out. Congratulations, Melinda, on a credit union career that made us all proud.

RANDY KARNES, CEO



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