

# Unique Organizations Pioneering the Next 50 Years

Annual Stockholders Meeting  
June 19, 2019

**CU<sup>\*</sup>ANSWERS**  
A CREDIT UNION SERVICE ORGANIZATION

# Agenda

- **Call to Order**

- Review 2018 Minutes

- **Chairman's Comments**

- We Are Evolving Pioneers

- **Election**

- **CFO Report**

- Armed With a Model for the Future

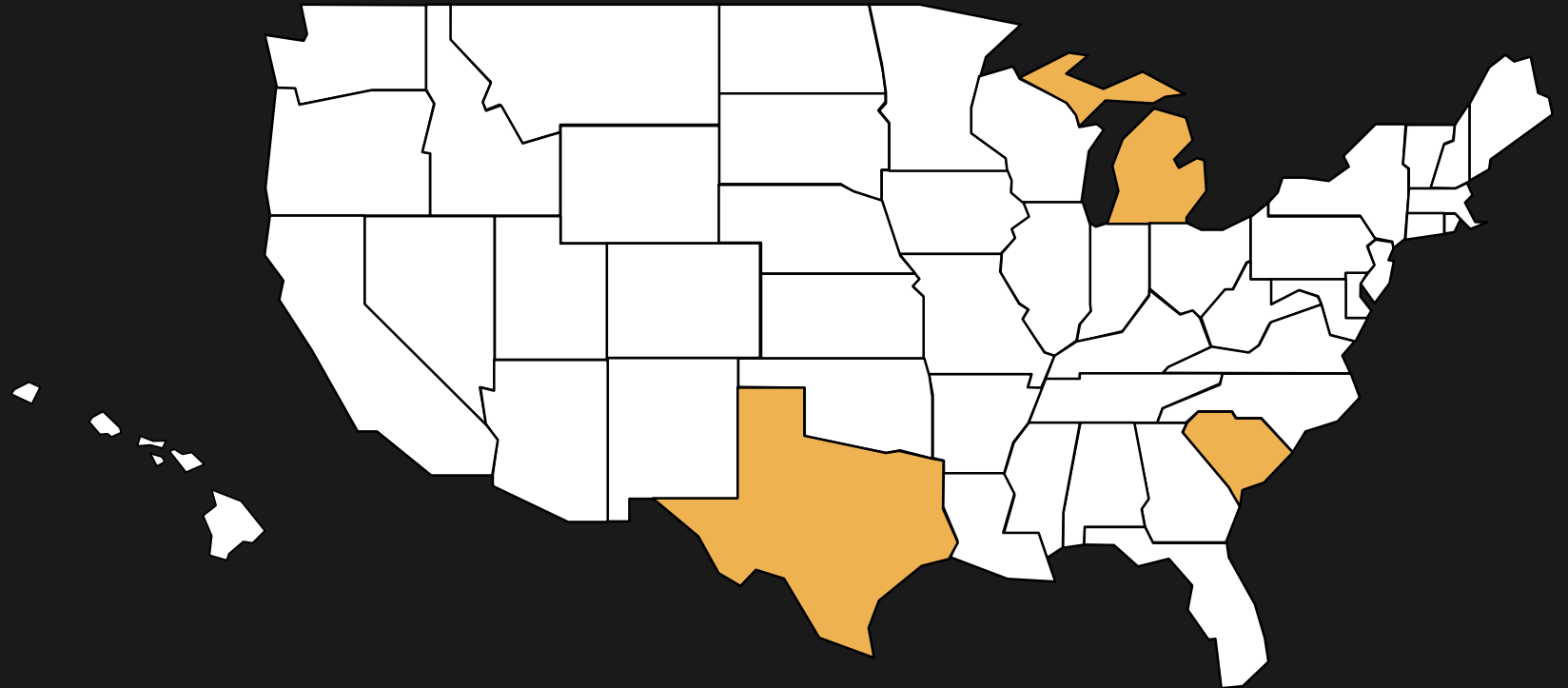
- **CEO Report**

- Unique Organizations  
Pioneering the Next 50 Years

- **Adjourn**

# Welcome to 3 new owners in 3 states!

- 1<sup>st</sup> Community FCU  
San Angelo, TX
- SPC Credit Union  
Hartsville, SC
- Straits Area FCU  
Cheboygan, MI



Thank you!

Member size range: 12,942 to 21,393 members  
Average size: 18,412 members

# We Are Evolving Pioneers

Chairman's Comments

# In the future, many of you will be seen as pioneers of our next era...will you be one?

## Unique, not Original

I AM UNIQUE, BUT I AM NOT ALONE, FOR THE ORIGINAL ARE WITH ME AND ALL AROUND ME

I AM CONNECTED



10

- We should we emboldened to take on the future based on our **unique** qualities in the here and now
- We should be confident based on our connections to the **original concepts, organizations, and individuals** who proved that consumer-owners could succeed
- We are the pioneers of our future, as were people just like us who were the pioneers of the past, creating templates for success
- We must see the next 50 years in the same light they did

What did you think when you saw this slide this morning?

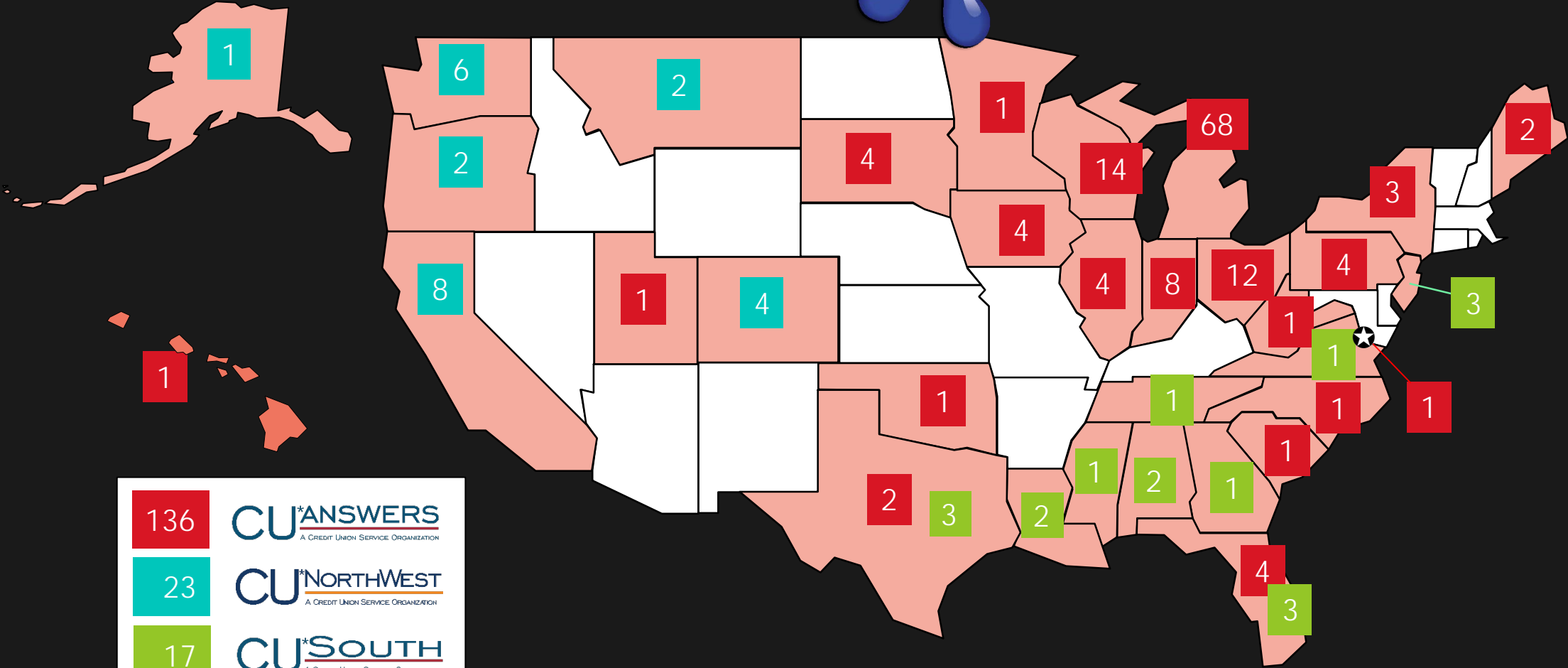
I'm fired up to earn the title of pioneer by 2035...and I look forward to the day-to-day work that will guarantee it

# Our Community of Owners

176 Credit Union Owners in 33 States  
60% of all Client CUs



cuasterisk.com



136

**CU\*ANSWERS**  
A CREDIT UNION SERVICE ORGANIZATION

23

**CU\*NORTHWEST**  
A CREDIT UNION SERVICE ORGANIZATION

17

**CU\*SOUTH**  
A CREDIT UNION SERVICE ORGANIZATION



# Your 2018-2019 Board of Directors



**Scott McFarland, Chairman**  
CEO, Honor Credit Union  
Board Member since August 2009



**Linda Bodie**  
CEO, Element Federal CU  
Board Member since October 2013



**Tom Gryp**  
President/CEO, Notre Dame FCU  
Board Member since October 2016



**Kris Lewis, Director**  
CEO, Allegan Community CU  
Board Member since October 2018



**Jeff Jorgensen, Director**  
CEO, Sioux Empire Federal CU  
Board Member since December 2009



**Dean Wilson, Director**  
CEO, Focus Credit Union  
Board Member since January 2008



**Vickie Schmitzer,  
Secretary/Treasurer**  
CEO, Frankenmuth Credit Union  
Board Member since October 2007

## Thank you!

As always, I want to thank my fellow Board members  
for another great year, and for all their hard work

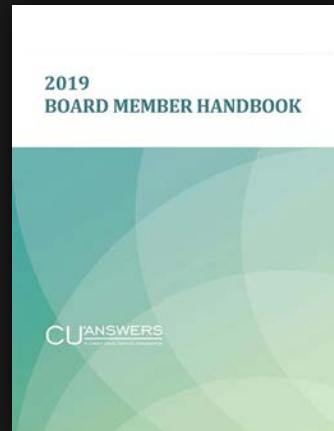
# 2018 Board Elections

Representing the 2019 Nominating Committee:  
**Tom Gryp**



# Your 2019 Nominating Committee

- Each year we work from a well-documented process
  - The Board Member Handbook helps us dot all the i's and cross all the t's
  - Ensures we keep our promise to keep ownership participation alive and well in our Cooperative



**Tom Gryp, Committee Chair**  
President/CEO, Notre Dame FCU



**Dean Wilson, Director**  
CEO, Focus Credit Union



**Scott McFarland, Director**  
CEO, Honor Credit Union

# Elections Market the Power of Ownership

- A lively democratic process is essential for a healthy cooperative
- Your participation in choosing Board members and volunteering for leadership means we're walking the talk
- **Thank you** for participating as owners!

**cooperative score** This site is part of Cooperative Score. [Learn More](#)

## CU\*Answers Elections

Home Rules About Contact Us Meet The Candidates Search

### Welcome Owners!

We believe a lively democratic process is essential for a healthy Cooperative. And since we're a Cooperative just like your credit union is, CU\*Answers is walking the talk with our owners.

On this site you can meet the candidates vying to fill a spot on the CU\*Answers Board of Directors. This year's election will take place at the Stockholders Meeting on **June 19, 2019** but you can cast your vote early by participating in e-voting ([learn more](#)).

Check out this year's candidates. Read their story about how they plan to contribute on the Board and represent you as an owner. While you are here, read up on the election rules and find out more about how you can put your hat in the ring next year to serve on the Board!

### CU\*Answers Announces Start of Election 2019

April 24, 2019 Casey Smith

Each year the 100% credit union-owned CUSO holds an annual election for opportunities to run for a seat on their Board of Directors. The CUSO has officially opened voting for their 2019 Annual Board of Directors Election, that will occur on Wednesday, June 19<sup>th</sup>. The meeting will take place at the JW Marriott in Grand Rapids, Michigan in conjunction with their annual Leadership Conference.

Currently, the CUSO has 135 Stockowners that are eligible to participate in this year's election via the online voting tool Simply Voting. Votes can still be mailed in or cast at the Annual Meeting. The Nominating Committee stopped accepting nominations from owners for service on the CU\*Answers Board of Directors as of March 31, 2019.

**2019 BOARD MEMBER HANDBOOK**  
Download The 2019 Ballot

**COOPERATIVE PRINCIPLE #2**  
Democratic Member Control  
CU\*Answers is a democratic organization controlled by our members - those who buy our goods and use our services - who actively participate in setting policies and making decisions. [Learn more about the 7 Cooperative Principles](#)

**7 COOPERATIVE PRINCIPLES**

**ABOUT CU\*ANSWERS**  
[CU\\*Answers Audited Financial Statements](#)

[Other CU\\*Answers Audit Results](#)

[Minutes from Last Year's Annual Meeting](#)

## ○ Linda Bodie

CEO, Element FCU  
Charleston, West Virginia



## ○ Jeff Jorgensen

President, Sioux Empire FCU  
Sioux Falls, SD



○ Linda  
CEO, Element

Jorgensen  
Clay Empire FCU

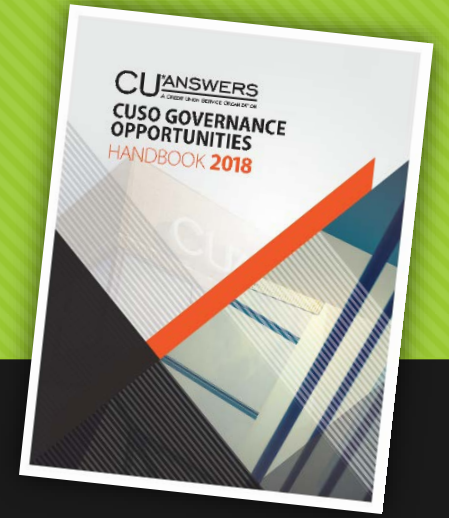
Let's vote!

Or perhaps there's a motion  
for a call for a unanimous  
resolution?

Congrats  
to our  
winners!



# Another announcement from the 2019 Nominating Committee



Introducing 3 new CUSO volunteers who will be working with the CU\*Answers Board of Directors:

## ASSOCIATE BOARD MEMBERS

- **Bill Burke**, CEO  
Day Air CU
- **Carolyn Mikesell**, CEO  
Public Service CU

## COMMITTEE VOLUNTEER

- **Don Mills**, CEO  
Alpena Alcona Area CU
  - Serving on the Investment Committee

Welcome new pioneers, to these new CUSO governance opportunities!

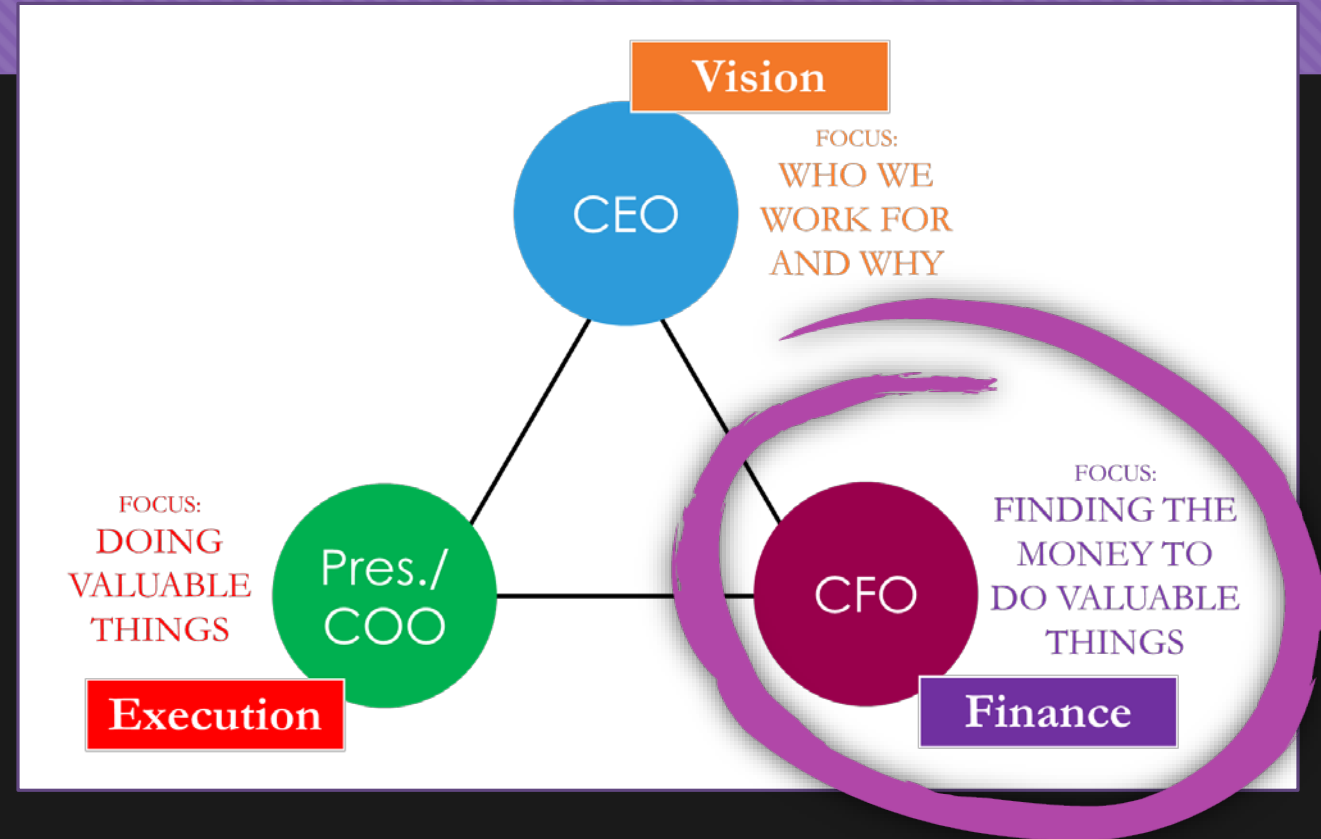
# Armed With a Model for the Future

CFO Report



# Walking the talk is simple when you keep the design simple, too

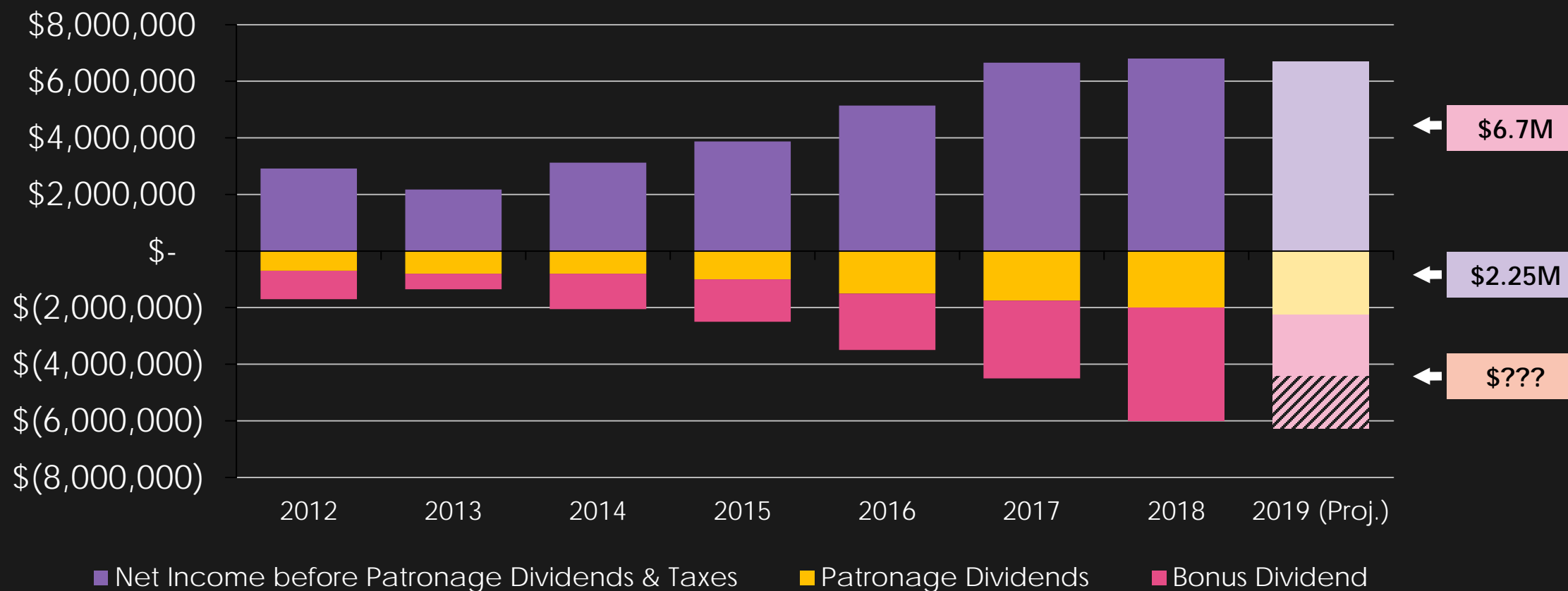
- After a day like today, it's an understatement to say that CU\*Answers is a documented firm
- Techies have a saying that you can't change the future without a schematic where you can see where you are
- Our board does an excellent job working with management to ensure our future via our digital content



For me it's a bit harder than just "finding" money, but my track record is pretty good

# Net income & patronage dividends

What do shareholders get, and what are we putting away for our future?



# 2018 numbers worth celebrating

Detail	YE 2017	YE 2018	2018-2017 % Change	2017-2016 % Change	2016-2015 % Change
Total Assets	\$34,096K	<b>\$38,989K</b>	<b>14.35%</b>	7.3%	14.5%
Total Liabilities	\$18,561K	<b>\$19,562K</b>	<b>5.39%</b>	8.3%	15.8%
Total Equity	\$15,535K	<b>\$19,427K</b>	<b>25.05%</b>	6.3%	13.0%
Retained Earnings	\$3,588K	<b>\$3,877K</b>	<b>8.03%</b>	22.8%	19.7%
Book Value of Class A Stock (\$ per share)	\$621.41	<b>\$719.53</b>	<b>15.80%</b>	8.8%	9.5%
Book Value of Ownership	\$124,282	<b>\$143,906</b>	<b>15.80%</b>	8.8%	9.5%

Two steps forward, one step back...it's nice that our dips are still in the black

# Year-end 2018 dividend payments

These numbers can flex, and I predict they will again in the future

Detail	YE 2017	YE 2018	2018-2017 % Change	2017-2016 % Change	2016-2015 % Change
Patronage Dividend (\$)	1,750,000	<b>2,000,000</b>	<b>14.3%</b>	16.7%	50.0%
Bonus Patronage (\$)	2,750,000	<b>4,000,000</b>	<b>45.5%</b>	37.5%	33.3%
Ownership Dividend Rate	4.0%	<b>4.0%</b>	<b>0.0%</b>	0.0%	0.0%
Ownership Dividend (\$)	638,456	<b>775,868</b>	<b>21.5%</b>	6.9%	12.9%
Book Value of Class A Stock (\$ per share)	621.41	<b>719.53</b>	<b>15.8%</b>	8.8%	9.5%
Price to Purchase CUSO Ownership	290,000	<b>330,000</b>	<b>13.8%</b>	5.5%	12.2%

2019 Net Earnings as of May 2019:  
**\$2.4M** after adjustments for \$1.5M patronage dividends and \$830K taxes  
*(projected to be **\$3.3M** by 9/30/19)*

# 2018 return on investment

2018 Gross Income Submitted by Owners to CU\*Answers **\$ 28,132,658**  
*(Excludes all vendor pass-throughs)*

2018 Patronage Dividends Paid	\$ 6,000,000	
2018 Class A Stock Dividends Paid	775,868	(4.0%)
2018 Interest Paid Credit Unions on Loans	<u>284,654</u>	(~4.25%)

Total Revenue Returned to Credit Unions **\$ 7,060,522**

**Return Per Total Dollars Received: \$0.2510**

$\$7,060,522 \div \$28,132,658$  (excludes vendor pass-throughs) = 25.10% return per CU\*A \$ received

# Understanding this formula is important to how we set the boundaries for our future

2016 Return Per Total Dollars Received: **\$0.1708**

$\$4,284,086 \div \$25,075,368$  (excludes vendor pass-throughs) = 17.08% return per CU\*A \$ received

2017 Return Per Total Dollars Received: **\$0.1979**

$\$5,346,530 \div \$27,023,005$  (excludes vendor pass-throughs) = 19.79% return per CU\*A \$ received

2018 Return Per Total Dollars Received: **\$0.2510**

$\$7,060,522 \div \$28,132,658$  (excludes vendor pass-throughs) = 25.10% return per CU\*A \$ received



# Thinking about 2019 year-end

cuasterisk.com Network Revenue Numbers Continue To Impress

## CU\*Answers Direct Revenues

○ Projected for 2019 **\$59.0M**



cuasterisk.com

Grand Total: **\$78.0 million**

## Our Network Partners

Projected  
for 2019

○ eDOC Innovations	<b>\$5.2M</b>
○ CU*NorthWest	<b>\$4.5M</b>
○ CU*South	<b>\$5.0M</b>
○ Xtend	<b>\$3.3M</b>
○ Site-4	<b>\$0.8M</b>

Visit [www.cuasterisk.com](http://www.cuasterisk.com) to keep up with  
network partners, products and services

# Investing in a community and building a network

The logo for site-four, featuring the word "site" in black and "four" in green with a stylized green cross-like shape.

20%  
ownership stake

The logo for Xtend, featuring the word "Xtend" in green with a stylized green arrow pointing upwards and to the right.

1.25%  
ownership stake

The logo for eDOC INNOVATIONS, featuring a blue circular icon with a stylized 'i' and the text "eDOC INNOVATIONS" in blue.

48%  
ownership stake

The logo for Payveris, featuring a blue circular icon with a stylized 'P' and the word "Payveris" in blue.

<1%  
ownership stake

The logo for CU\* NORTHWEST, featuring the text "CU\* NORTHWEST" in blue and "A CREDIT UNION SERVICE ORGANIZATION" in smaller blue text below it.

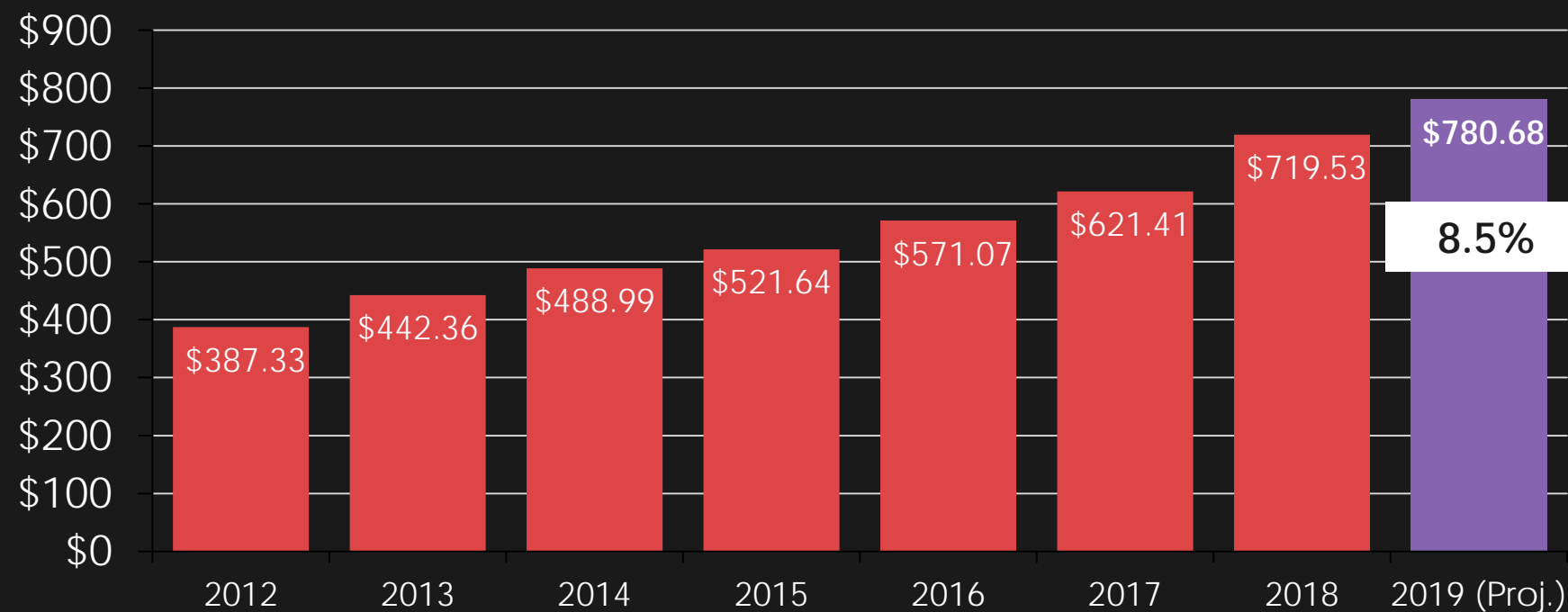
4.55%  
ownership stake

The logo for my VIRTUAL StrongBox, featuring a blue square icon with a stylized 'X' and the text "my VIRTUAL StrongBox" in blue.

A convertible  
debt investment

# Projecting shareholder value

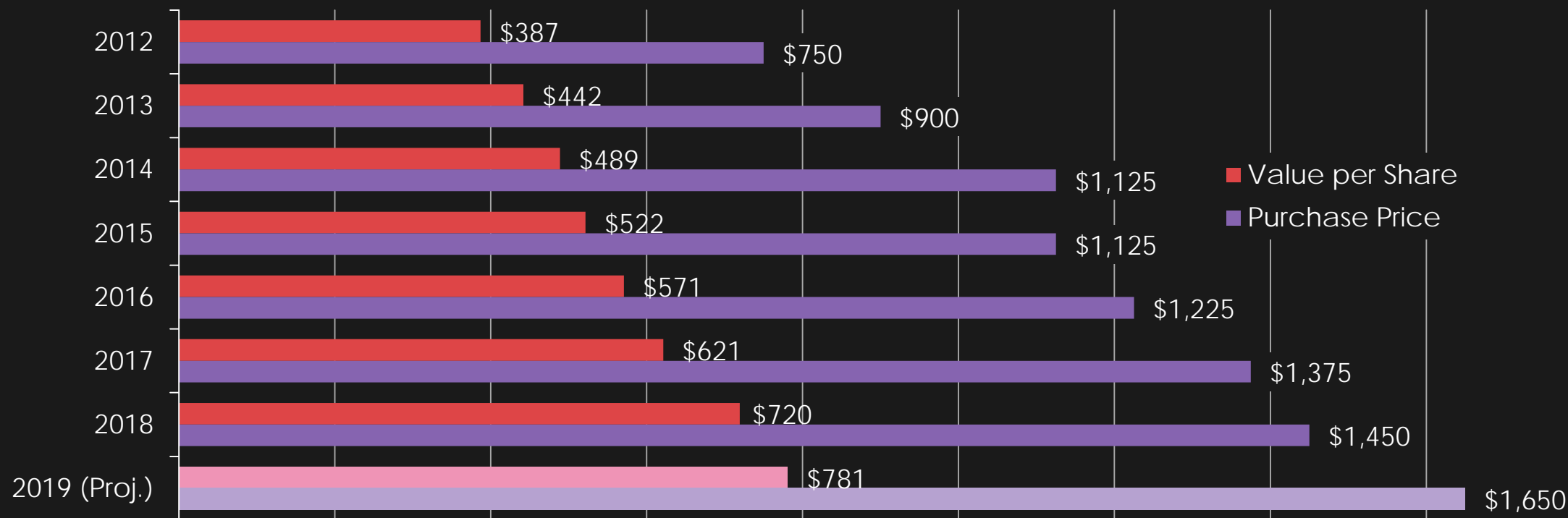
Depending on when you bought in, your perspective is different



THE PRICE OF OWNERSHIP OVER THE YEARS	
1991:	\$59.31
2000:	\$176.00
2005:	\$460.00
2010:	\$495.00
2015:	\$1,125.00
2016:	\$1,225.00
2017:	\$1,375.00
2018:	\$1,450.00
2019:	\$1,650.00

# The importance of our per-share price

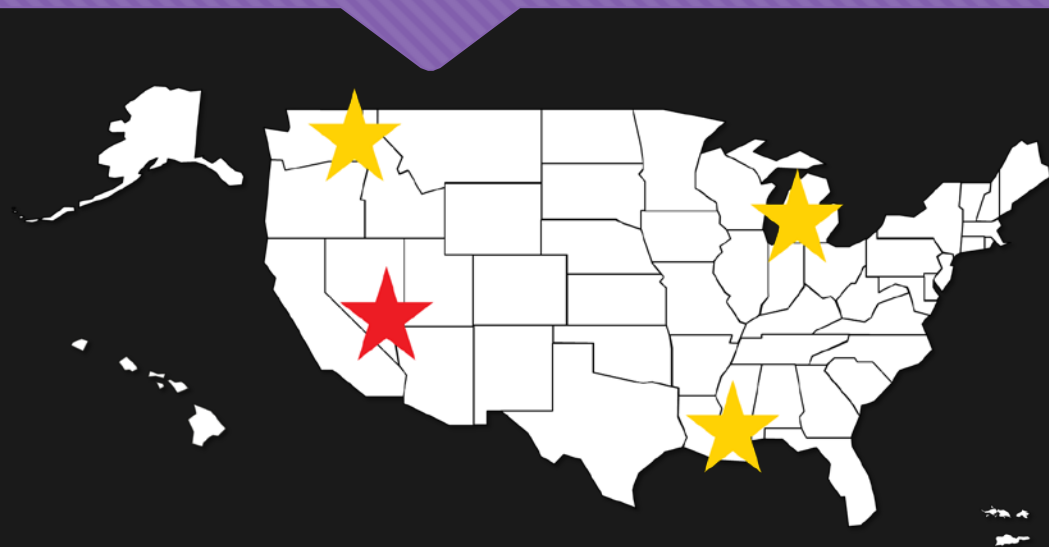
Balancing today's payback against the value of your equity



Let the Board know how you hope they vote: Current year dividends to help your operations, or shareholder value for the long term

# Retail innovation

"Just find the money, Bob"



What would you think about a new CU\*Answers location in Las Vegas?

A client support center,  
a programming center, and a new  
marketplace persona

- Randy was serious this morning when he called for your input
- And I am telling you right now, that input will be important to the numbers you see in the next few years

# Unique Organizations Pioneering the Next 50 Years

CEO Comments



# February 2020 will mark our 50<sup>th</sup> year as a CUSO

EVERY YEAR I ASK MY WIFE, "IS  
THIS YEAR AN IMPORTANT  
ANNIVERSARY?"

1970



2020

20??

Historians judge and label people as icons as pioneers, but the people  
who build companies are just too busy to worry about the labels

# We've been preparing for this milestone

- A characteristic of virtual ownership is that the values created over time are willed forward to infinite generations, with the intent of sustaining those values, without end
- Every generation will fear that theirs is the last
- At every milestone, we are challenged by the fact that we might not be able to do it again (another 50 years?!)
- Despite all the challenges, I still think we will



We have not made it 50 years based on the roles of people; we've made it this long because of the will of cooperative organizations

# We've been preparing for this milestone

- Facing a New Norm in the CU Industry
  - To make it another 50 years, our strength must be in our ability to redefine ourselves as quickly as our communities do
- Tactics for Finding and Accepting New Norms
  - To redefine ourselves, we must collaboratively communicate within each other to define the common ground we have as our key success factors
- Honing the Core Competencies that Secure Our Future
  - New operational norms do not mean that you abandon the timeless principles that drive success



**'norm** \ noun \

An official standard or level that organizations are expected to reach

# We've been preparing for this milestone

- Each year we have to remind ourselves of the things we hold dear, that remain the underlying drivers of our success
  - Our focus and commitment to the agendas of our stakeholders
  - Our skills at building networks and fostering communities of cooperatives
  - Our skills at developing assets via the use of capital, people, and solutions
  - Our drive to deliver value to the customer-owners that drive it all: CU members and CU organizations



**'norm** \ noun \

An official standard or level that organizations are expected to reach

# How do you define the timeframe for the next "era"? How far ahead do we dare look?

## Unique

- Every credit union and person in our network is unique
  - This moment in time is unique
  - The set of individuals who comprise the community is unique
  - The challenges are unique, the opportunities are unique
- Your response to your situation must be bolstered by your enthusiasm to be unique, current, and matched with where you're going: *forward*
- For our cooperative to be strong, we must trust that every organization's creativity and need to be unique is honored and fostered by our collective

### u·nique

[yōō'nek] 🔊

ADJECTIVE

1. being the only one of its kind; unlike anything else.

"the situation was unique in modern politics" - [more]

synonyms: *distinctive · individual · special · especial · idiosyncratic · quirky · eccentric* - [more]

NOUN *archaic*

1. a unique person or thing.

*It is never same old, same old...it is always  
a fresh start for what might be*

## Original

- To be original is to be the first of something
  - Something that's worth replicating
  - Something's that worth recognizing as unique
  - Something that is a template for the future
- What is it about the credit union model that is original and worthy of carrying forward to the future?
- What is it about our cooperative network that is original and worthy of carrying forward to the future?
- Why should we be confident about our abilities to meet future challenges, based on what we hold onto from what was original about both models and our network?

### o·rig·i·nal

[ə'rijənəl] 🔊

NOUN

1. something serving as a model or basis for imitations or copies.

"the portrait may be a copy of the original" - [more]

synonyms: *original · archetype · prototype*

*A strange way to tell you that I have faith in who you are today to  
improve on the work of pioneers and icons that came before*



# Will our mindset be determined by our best angels or by our situation?

- Unique – All of us today, and all of us in the future
- One year from today, the unique will show up for a party to celebrate our 50<sup>th</sup> anniversary
- The next day, we'll all go to work on our way to the next milestone
- We're confident that we are armed with the same capabilities, vested with the same hopes, and ready to meet the challenge
- Original – All of us from yesterday, all the way back to February 1970
- A generation of professionals and organizations like us celebrated many milestones
- The next day, they simply went to work to get us to this point
- So were they, and they were right

**We are unique, but we are not alone,  
for the original are with us and all  
around us...we are connected**



Back to Our Chairman

Not so fast...we  
have another  
milestone to  
celebrate today!

July 1 marks Randy's 25<sup>th</sup>  
year as CU\*Answers' CEO

Congratulations  
and thank you!



# Back to Our Chairman

Do we have a motion to adjourn?