

FRONT & CENTER

community

CU*ANSWERS 2015–2016 REPORT TO OWNERS

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*At CU*Answers, community is
the reason for everything we do.*

*Day in and day out, our concern for
community is a compass for building
a cooperative that works for you.*

Berrien Springs **MICHIGAN**

KERLIKOWSKA FARMS

PASSION FOR COMMUNITY IS GOOD FOR BUSINESS...AND FOR THE SOUL

For the CU*Answers Board of Directors, our love for our own communities helps us identify the ingredients for building a strong sense of community with our shareholders and their organizations. Ingredients like a commitment to the diverse agendas of community participants. A passion for sharing in the celebration of our community's success, even over our own. The belief that taking the long view for our community's success is important to its sustainability and quality. And the faith that our community will endure and that its value is defined by its contributors, not by its critics.

That's why the 7th Cooperative Principle, Concern for Community, is one that we can easily count on as a compass in driving our business forward. It's not a black and white mandate for how to develop profitable endeavors.

It's not a paint by number template for responding to the challenges of building an organization that's approaching \$60 million in annual sales. And it's certainly not a cut and dried policy statement as to how to deal with the credit union regulatory environment. But if used right, it can contribute to all of those things. It helps us remember why we do things, the spirit which we hope keeps us together as customer-owners, building a community that adds value to our individual communities at home.

So as you read this report, I hope you will see our passion for community in every page.

Scott McFarland, Chairman of the Board
CEO, Honor Credit Union





Wauwatosa WISCONSIN

MILWAUKEE PUBLIC MARKET

The Milwaukee Renaissance has been one of both vision and rebirth, bringing growth and self-determinism back to this Midwestern port city. Being part of a community that is changing together for the good of the whole is a lot like being part of a CUSO community that continues to evolve to provide solutions for all of us.

Cooperatives, like cities, understand that their strength comes from a respect for diversity, and that to achieve what is good for the whole, you must start with the respect for what is good for an individual. Our CUSO focuses on the individual agendas of our credit unions as the compass for what we will all do together.

Dean Wilson, Board Member
CEO, FOCUS Credit Union



Charleston

WEST VIRGINIA

DOWNTOWN CHARLESTON

West Virginia is an amazing place. Majestic, loving, spectacular, friendly, compassionate...and most of all...the underdog in almost everything. There is no other place like it on Earth. John Denver wrote a song about it, and you'll hear it all over the world: "Take Me Home, Country Roads." Montani Semper Liberi (Mountaineers are Always Free).

When everyday people get together and decide that as customers they can be owners, they start out as underdogs compared to their competition. But they are emboldened by their love for community and steadfast in their belief that they will overcome.

Linda Bodie, Board Member

Chief + Innovator, Element Federal Credit Union





Sioux Falls **SOUTH DAKOTA**

FALLS PARK

The energy of the Big Sioux River Falls is just as powerful today as it was when the town of Sioux Falls was founded by settlers in the mid-1800s. People were drawn to this area for all the usual reasons, from the obvious natural beauty to the availability of resources with which they could build their future. It was practical. But on the other hand, it was also in the middle of a vast prairie. The weather wasn't always their friend, and it took tenacity and grit to stick with it and build a life.

As a CU*Answers board member, I always remember that spirit when thinking about the things we want to build together. Even when our ideas seem practical and intuitive, success doesn't always come easy. It takes the support of a community to hang in there and know why it'll be worth it when we do succeed. What makes this CUSO work is its community of vested credit unions.

Jeff Jorgensen, Board Member

President, Sioux Empire Federal Credit Union



Frankenmuth

MICHIGAN

ZEHNDER'S HOLZ BRÜCKE

I stand at Frankenmuth's iconic wooden covered bridge, the Holz Brücke. The bridge was first dreamed by brothers Eddie and William 'Tiny' Zehnder, the original influences for our Michigan's Little Bavaria. In late summer of 1978, every wooden plank, nail and cedar shingle was laid by hand...although they did have a little help from a team of oxen. After it was completed, 80-year-old architect Milton Graton promised, that if taken care of, his bridge would last at least 500 years.

I liken this bridge and its sturdy character to our CUSO community. It was started from a spirited dream to bridge the gap between owner and member, to provide a safe passageway to the ever-changing current of financial needs and trends. Today, tens of thousands walk and drive across this bridge. It has weathered years of storms and wear and tear. And like the Holz Brücke, our CUSO too will stand strong for many years to come.

Vickie Schmitzer, Vice Chair

CEO, Frankenmuth Credit Union





Alpena **MICHIGAN**

DOWNTOWN ALPENA

My community is the city of Alpena located on beautiful Lake Huron in Northeast Michigan. We are home to the Thunder Bay National Marine Sanctuary and Underwater Preserve, which protects over a hundred historically significant shipwrecks and attracts divers from all over the world. And just as the marine sanctuary helps to ensure that future generations can enjoy and benefit from our rich history, we as CUSO owners and credit union leaders have a responsibility to protect the legacy of the Cooperative Principles.

In the 2013–2014 Report to Owners, I got to carry the banner for the 7th Cooperative Principle: Concern for Community. As I said then, “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.” This time we’ve dedicated our entire report to this Principle, and our passion for all of our communities. It’s an idea that will never go out of style here at CU*Answers, and I’m on the board to make sure that we pass that same idea down, generation after generation, to the people who drive this CUSO.

Don Mills, Secretary / Treasurer

President and CEO, Alpena Alcona Area Credit Union



South Bend INDIANA

UNIVERSITY OF NOTRE DAME

I live in a community where it's hard to pick a single iconic image that identifies the area. South Bend, Indiana, is a wonderful city, and people can identify with the richness of its Midwestern personality. My credit union is in the center of the University of Notre Dame, and with that comes a spirit of learning. And it's hard to separate Notre Dame from the sense of community that comes with being part of the Catholic faith.

I see the power of community all around me. I believe that when people embrace a community, they naturally select missions and priorities that are bigger than what they'd choose just for themselves. At CU*Answers, we don't see a company standing by itself, we see a mission through the agendas of every participant. We see something bigger. We see the need to respond to members and everyday consumers everywhere.

Tom Gryp, Board Member

CEO, Notre Dame Federal Credit Union





Grand Rapids **MICHIGAN**

MONROE CENTER BUSINESS DISTRICT

I came to Grand Rapids for a job, one I could probably have done just about anywhere. What I found was a cooperative, a community, and a set of peers that helped me build an incredible career. It doesn't matter that our CUSO spans 23 states and hundreds of organizations, or that it serves millions of people; there's a sense of community in the way we think and our commitment to everyday members.

Communities today are virtual. As a technician, I love the sense of blending the communities of our clients, and the possibilities of virtual communities without limits, boundaries, or the weight of yesterday's investments.

Jody Karnes, Chief Information Officer

CU*Answers



Grand Rapids MICHIGAN

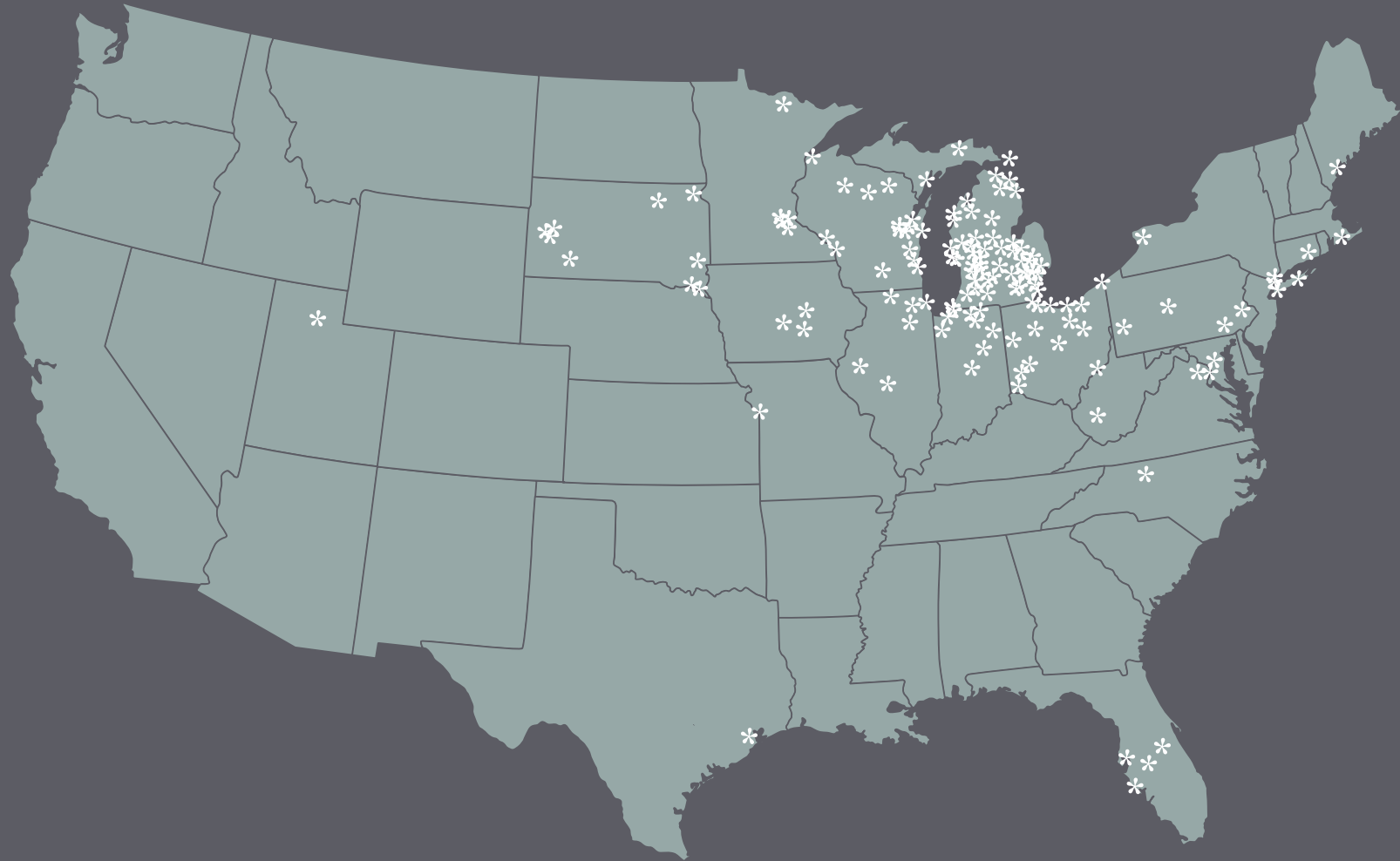
GRAND RAPIDS ART MUSEUM

When I became the coordinator and lead architect for all of our client service interactions, my eyes were opened to a whole new sense of the word community. This community is not based on geography or field of membership commonalities. At the end of the day, the common link in this community is finding solutions for members via the teamwork between our CUSO and the credit union professional.

At our CUSO, we respect that everyone in our community shares a passion for serving others. There is a common thread in our interactions, a common goal for the outcome of those interactions, and a common belief that in serving others, we improve our own situations. It's a cooperative thing. It's my thing.

Geoff Johnson, Chief Operating Officer
CU*Answers





CU*ANSWERS SERVES **176 CREDIT UNIONS IN 23 STATES**

ABERDEEN, SD • ADA, MI • ADRIAN, MI • AGENCY VILLAGE, SD • ALLEGAN, MI • ALMA, MI • ALPENA, MI
ALTAMONTE SPRINGS, FL • ANDERSON, IN • APPLETON, WI • BALTIMORE, MD • BATTLE CREEK, MI • BAY CITY, MI
BELPRE, OH • BERRIEN SPRINGS, MI • BIRMINGHAM, MI • BLOOMINGTON, MN • BOX ELDER, SD • BRIARCLIFF MANOR, NY
BROOKLYN, NY • BUCHANAN, MI • BURNS HARBOR, IN • CADILLAC, MI • CHARLESTON, WV • CHEBOYGAN, MI
CHICAGO, IL • CINCINNATI, OH • CLARKSTON, MI • COLDWATER, OH • COLUMBUS, OH • CONNEAUT, OH • DEARBORN, MI
DES MOINES, IA • DETROIT, MI • DOWAGIAC, MI • DRUMMOND ISLAND, MI • ELKHART, IN • ELYRIA, OH • ESCANABA, MI
FALMOUTH, ME • FARMINGTON, MI • FARMINGTON, UT • FIFE LAKE, MI • FORT WAYNE, IN • FRANKENMUTH, MI
FREMONT, MI • GARFIELD HEIGHTS, OH • GRAND HAVEN, MI • GRAND RAPIDS, MI • GRANDVILLE, MI • GREEN BAY, WI
GREENSBORO, NC • HASTINGS, MI • HOUGHTON LAKE, MI • HOUSTON, TX • INDIANAPOLIS, IN • JACKSON, MI
KALAMAZOO, MI • KANSAS CITY, MO • KAUKAUNA, WI • KENTON, OH • KENTWOOD, MI • KETTERING, OH • KYLE, SD
LA CROSSE, WI • LAKE ORION, MI • LAKEVIEW, MI • LANCASTER, PA • LANSING, MI • LIVONIA, MI • LONG ISLAND CITY, NY
LUDINGTON, MI • MACOMB, IL • MADISON, WI • MANISTEE, MI • MAPLE GROVE, MN • MARION, MA • MARSHALLTOWN, IA
MEDFORD, WI • MERRIFIELD, VA • MERRILL, WI • MERRILLVILLE, IN • MICHIGAN CITY, IN • MIDDLETOWN, OH • MILWAUKEE, WI
MONROE, MI • MOUNT PLEASANT, MI • MUSKEGON, MI • NEENAH, WI • NETT LAKE, MN • NEW YORK, NY • NEWBERRY, MI
NEWTON, IA • NILES, MI • NORTH CANTON, OH • NORTON SHORES, MI • NORWICH, CT • NOTRE DAME, IN • ONALASKA, WI
ONAWAY, MI • OREGON, OH • OSHKOSH, WI • PITTSBURGH, PA • PONTIAC, MI • RAPID CITY, SD • RHINELANDER, WI
RITTMAN, OH • ROCHESTER HILLS, MI • ROCKFORD, IL • ROGERS CITY, MI • SAGINAW, MI • SAN ANTONIO, FL
SANDUSKY, OH • SARASOTA, FL • SIOUX FALLS, SD • SKOKIE, IL • SOUTH BEND, IN • SOUTH ST PAUL, MN • SPARTA, MI
SPRINGFIELD, IL • ST. PAUL, MN • STATE COLLEGE, PA • STURGIS, SD • SUPERIOR, WI • TAMPA, FL • TAYLOR, MI • TOLEDO, OH
TRAVERSE CITY, MI • TWO RIVERS, WI • VERMILLION, SD • WARMINSTER, PA • WARRENVILLE, IL • WASHINGTON, DC
WAUWATOSA, WI • WEST BEND, WI • WILLIAMSVILLE, NY • WYOMING, MI • YANKTON, SD • YPSILANTI, MI

Financial Highlights

	2016	2015	% Change	2000	Average Annual Growth %
BALANCE SHEET					
Total Assets	31,764,464	27,738,599	14.5%	5,814,371	27.9%
Total Liabilities	17,145,082	14,802,051	15.8%	3,705,739	22.7%
Stockholder Equity	14,619,382	12,936,548	13.0%	2,108,632	37.1%
Income Statement Revenues	52,050,398	47,142,120	10.4%	9,026,928	29.8%
Income Before Taxes & Patronage Dividend	5,145,240	3,871,261	32.9%	333,728	90.1%
Patronage Dividends	3,500,000	2,500,000	40.0%	225,000	91.0%
OTHER FINANCIAL INFORMATION					
Stockholder Equity					
Common Stock - Class A	256,000	248,000	3.2%	98,000	10.1%
Common Stock - Class B	-	-		503,040	
Additional Paid-In Capital	11,439,964	10,246,618	11.6%	939,626	69.8%
Retained Earnings	2,923,418	2,441,930	19.7%	567,966	25.9%
Total	14,619,382	12,936,548	13.0%	2,108,632	37.1%
CREDIT UNION RELATIONSHIPS					
CUSO Owners	128	124	3.2%	49	10.1%
Online Members Processed	1,688,943	1,532,345	8.9%	394,066	20.2%
Number of Credit Unions	163	159	2.5%	61	10.5%
Self Processing Members Processed	220,694	207,483	6.4%	149,816	3.0%
Number of Credit Unions	11	11	0.0%	12	-0.5%
Item Processing Credit Unions	2	2	0.0%	42	-6.0%
Total Credit Union Relationships	176	172	2.3%	115	3.3%

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



Bob Frizzle, Chief Financial Officer
CU*Answers



Grand Rapids **MICHIGAN**

BLUE BRIDGE

FIND A COMMUNITY AND LIVE IT!

One of the most compelling ideas about the community our shareholders are building together is that it is a constant work in progress. It's defined not by rigid rules or a limited sense of what a business should be, but rather by leaders who are ready to repaint the landscapes that define our communities. It's defined by leaders willing to challenge the status quo and expand the boundaries to fit what our customer-owners dream of doing.

That's one of the reasons I chose the Blue Bridge in downtown Grand Rapids, Michigan, for my picture for this report. I like that it's old and painted bright blue, so it stands out as something old and new at the same time. I like that someone took the time to say that traditions could be redefined, so every generation might smile where old meets new.

Our network is a place for dreamers, for planners, for innovators, and even sometimes for anarchists. Our 2016 business year ended with a call to burn down any idea or barrier that might constrain our future, to attack our evolution with the spirit of a revolutionist and the passion to see it through. This call was not in response to dire challenges or a flagging momentum. Just the opposite: the call represents our joy in being a disrupter, with an

eye toward building better options, bigger opportunities, and extended futures for all of our communities.

Our greatest community leaders have no sense of nor patience for an end game. They simply live the idea that the sun will come up tomorrow, that their community will endure, and they work to pass the torch to the next generation. They balance the threats as realists, but their passion and focus is always on the future and the fact that the community will go on.

But to win at the new game, you must also have been successful at the old one—the current one. In reading this report I hope you will find a sense that our foundation is solid and that our collaboration is fueling a future where we will all find success.

Randy Karnes, Chief Executive Officer
CU*Answers



Right to Left: Bob Frizzle, Randy Karnes, Jody Karnes, Geoff Johnson, Scott Page

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

Alan Rogers
CEO, Site-Four since 2015

EXECUTIVE MANAGEMENT TEAM

Martha Anderson
VP of Delivery Services since 2000

John Beauchamp
VP of Professional Services-Imaging Solutions since 2007

EXECUTIVE MANAGEMENT TEAM, CONTINUED

Jack Carpenter
VP of Production since 1996

Karen Chesbro
VP of Item Processing since 1978

David Damstra
VP of Marketing Services and Creative Director since 2005

Keegan Daniel
VP of Professional Services-Earnings Edge since 2007

Rebecca Frankowski
VP of Finance since 2007

PJ Haehnel
VP of Administration since 1974

Brian Maurer
VP of Software Development since 2012

Dawn Moore
VP of Writing Team/Product Design since 1995

Amber Overla
VP of Organizational Resource Development since 2016

Matt Sawtell
AVP of Managed Technology Services since 2002

Mary VanAntwerp
VP of Quality Control since 2003

Jim Vilker, NCCO
VP of Professional Services-AuditLink since 2006

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

Pete Winner
VP of Professional Services since 2014

Dave Wordhouse
VP of Network Technologies since 2002

The Seven Principles

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.

01 VOLUNTARY & OPEN MEMBERSHIP

02 DEMOCRATIC MEMBER CONTROL

03 MEMBER ECONOMIC PARTICIPATION

04 AUTONOMY & INDEPENDENCE

05 EDUCATION, TRAINING & INFORMATION

06 COOPERATION AMONG COOPERATIVES

07 CONCERN FOR COMMUNITY

