

2018 ANNUAL REPORT

Every Member, Every Day!



**SPACE COAST
CREDIT UNION**

Your life. Your financial watchdog.

Federally insured by NCUA

Chairman's and President's Report



Dale B. Neubert
Chairman

The credit union enjoyed strong financial performance in 2018. With strong earnings and over 14% net worth, we far exceeded the required 7% identified by NCUA as a safety and soundness indicator. Net worth can be thought of as the credit union's savings account for a rainy day. In 2018 we produced \$1.192 billion in auto loans, \$133 million in first mortgages and \$122 million in second mortgages, and we opened 42,332 checking accounts and 9,751 credit cards.



Timothy M. Antonition
President, CEO

While we have always had a service focus, we decided we needed to up our game. In 2018, we set out to engage the entire workforce on improving service delivery by establishing a measurable service goal shared by all employees. This goal included the employees you see in our branches and talk to on the phone as well as those who work behind the scenes.

There are times that multiple employees across many functions are needed to fulfill your request. We strove to make this as

invisible to you as possible and ensure that everyone worked together to improve the service delivered to you, our members. We are pleased to share that we set a member survey rating of 4.60 stars out of 5 (92%) and we finished the year at 4.67 stars (93%), which is an improvement over the prior year. This is the result of all 850+ team members working together to improve processes, remove friction, and deliver service to you better than we ever have. We are not done. We have set a goal for 2019 and we will drive our service to meet that goal.

We accomplished many things during the year, including improvements to our mortgage process, auto process, and debit card process. We read every survey that is submitted and look for areas to improve.

2018 was also a year of simplification for SCCU. True to our brand promise of trusted products, we consolidated some checking and savings account types and discontinued others that were not used by very many members. This allowed us to make the new account opening process more efficient and ensure that members are in the right

product. We also expanded the tiers of our interest bearing accounts, so those who have more on deposit will receive higher interest rates.

We retired our outdated Member Rewards program in favor of reduced fees for all members which resulted in \$2 million being given back to the membership. Our goal is to continue to add value product by product, earning members' loyalty, and making it easier to enjoy the benefits of membership. In retiring this program, we realized that some rewards—which benefited a small segment of members were discontinued—and this is disappointing. However, we believe the best way to reward member loyalty is through better pricing. In 2018 we increased deposit rates multiple times on our savings, checking, money market, and CD products, paying members more dividends; and we continue to offer low competitive loan rates.

We continued our quest to come together as ONE SCCU and made many changes internally to how we operate to ensure our employees feel valued and never want to work anywhere else. We are just getting started but I can tell you 2018 was our best year when measured with employee retention. Employees stayed longer at SCCU in 2018 than any time in the last 25 years, and that ultimately benefits members by having more tenured and knowledgeable staff to help you. We want to thank all of our dedicated team members for their hard work and passion for delivering on our brand promise: "Honest people. Trusted products. Time valued."

Thank you to all of our members for your support throughout 2018. We appreciate all of the great comments you give us in your letters and survey responses. You are the reason we come to work every day and work hard to deliver service to you.

Dale B. Neubert
Chairman

Timothy M. Antonition
President and CEO

Credit Manager's Report

Space Coast Credit Union had another strong year in lending. As our members' watchdog, we continue to focus on our brand promise of delivering loan products that are priced fairly and meet the needs of our membership.

Part of our mission is to provide products that our members can trust, and that are also convenient. This past year, we originated almost \$913 million in vehicle loans purchased through the dealership for our members. As a result of this product offering, dealer lending has brought in 22,897 new members to the credit union.

We continue to assist our members in improving their financial position by refinancing vehicle loans originated elsewhere with SCCU. In 2018, SCCU refinanced over \$167 million in automobile loans. We also saw an increase in loans originating through our online application channel, with almost 1 out of every 3 loans closed through this convenient application option.

Residential lending had a solid year in 2018 despite rising rates and low housing inventory. SCCU funded almost \$133 million in first mortgages and \$122 million in home equity loans. Our partnership with Home Advantage returned \$85,195 back to our members by them taking advantage of commission rebates.

We recently reintroduced VA and Construction mortgage products to assist our military members and those looking to build their dream homes. We remain focused on ways to be even more competitive and current with our mortgage loan product offerings.

Thank you for choosing Space Coast Credit Union to be your financial partner.

Kelley T. Martin
*Vice President, Underwriting
Credit Manager*

Audit Committee Report

The Audit Committee is appointed by the Space Coast Credit Union (SCCU) Board of Directors. The Audit Committee operates under the rules and regulations of the Florida Office of Financial Regulation, Division of Financial Institutions, and the National Credit Union Administration (NCUA) and is charged with the responsibility of determining that the financial condition of SCCU is accurately and fairly presented in the financial statements, and that management practices are in place to safeguard members' assets.

The primary functions of the Audit Committee are (1) to direct the Internal Audit Department, which monitors credit union operations through the development of a risk-based audit plan; scheduling and conducting a continuing program of reviews of credit union processes and procedures, and (2) contracting for an independent, external audit of the credit union's financial statements.

The combined skills of the Certified Public Accounting Firm of CliftonLarsonAllen LLP, with that of our in-house Internal Audit staff, has proven to be effective in maintaining an efficient and effective internal audit function for the credit union. The Internal Audit Department has unlimited access to all credit union employees and operations and has developed a risk-based audit plan for the credit union, which is revised as credit union operations and controls change during the year. The Annual Audit Plan, approved by the Audit Committee, is updated during the year as processes, controls, and events change. All audits on the updated 2018 Audit Plan were successfully completed by the end of the calendar year.

The Certified Public Accounting Firm of Warren Averett, L.L.C. was retained for the purpose of conducting the annual external audit of financial condition. In March 2018, Warren Averett's audit of the 2017 Financial Statements for SCCU resulted in an "unmodified opinion," which, in layman's terms, means everything went well and no irregularities were discovered. The financial information presented in this report for 2018 is unaudited, as the annual audit was not completed at the time of printing.

The Audit Committee reports the results of all internal and external audits to the Board of Directors.

Based on the results of the above-referenced activities and related reports, it is the opinion of the Audit Committee that the books and records of SCCU are in order. The Audit Committee would like to thank the SCCU Board of Directors, Management, and the entire staff for their support and cooperation during this past year.

Respectfully submitted by,

The Audit Committee



Julie O. Robbins
Chairman

Donna M. Banta
Dr. Patricia Fontan
Dr. Karen O. Palladino

Condensed Financial Information*

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION		
	As of December 31, 2018	As of December 31, 2017
ASSETS		
Cash	\$31,531,313	\$36,684,784
Investments		
Available-for-sale	62,953,434	118,454,652
Other	323,561,743	405,405,883
Loans held for sale	1,343,600	7,371,100
Loans to members - net of allowance for loan losses	3,456,547,412	3,199,545,228
Accrued interest receivable	9,024,366	9,455,031
Prepaid and other assets	38,998,971	25,874,965
Property and equipment - net of accumulated depreciation	117,642,374	126,122,687
Other Real Estate Owned	2,142,553	5,665,459
Goodwill	64,592,669	64,592,669
National Credit Union Share Insurance Fund deposit	34,181,474	32,768,160
TOTAL ASSETS	\$4,142,519,909	\$4,031,940,618
LIABILITIES AND MEMBERS' EQUITY		
	As of December 31, 2018	As of December 31, 2017
LIABILITIES		
Members' shares and savings accounts	\$3,507,053,271	\$3,416,078,063
Borrowed funds	-	15,000,000
Dividends & Interest Payable	135,373	104,261
Other accrued liabilities	49,363,245	66,158,342
Total liabilities	3,556,551,889	3,497,340,666
MEMBERS' EQUITY		
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$4,142,519,909	\$4,031,940,618
CONSOLIDATED STATEMENT OF INCOME		
	For the year ending December 31, 2018	For the year ending December 31, 2017
INTEREST INCOME		
Loans	\$141,992,761	\$116,625,537
Investments	9,103,768	7,146,074
Total interest income	151,096,529	123,771,611
INTEREST EXPENSE		
Members' share and savings accounts	13,360,535	9,331,626
Notes payable	283,745	980,883
Total interest expense	13,644,280	10,312,509
Net interest income	137,452,249	113,459,102
PROVISION FOR LOAN LOSSES		
Net interest income after provision for loan losses	102,368,453	85,201,516
NON-INTEREST INCOME		
Fees and service charges	34,861,804	34,223,736
Other	40,645,944	47,273,103
Total non-interest income	75,507,748	81,496,839
NON-INTEREST EXPENSE		
Compensation and employee benefits	57,295,321	56,738,780
Office operating and occupancy costs	58,701,058	54,947,468
Other	10,525,020	8,545,811
Total non-interest expense	126,521,399	120,232,059
NET INCOME	\$51,354,802	\$46,466,296
	<i>*Unaudited</i>	<i>*Audited</i>

2018 ANNUAL REPORT

Board of Directors

Executive Committee

Dale B. Neubert
Chairman

John G. Oertel
Vice Chairman

A. Desmond Almarales
Treasurer

Thomas J. Myers
Secretary

Board Members

A. Desmond Almarales
Herbert A. Fisher
Willie Howard
Kevin R. McKeown
Thomas J. Myers
Dale B. Neubert
John G. Oertel
Dr. Karen O. Palladino
Julie O. Robbins

Director Emeritus

Martha E. Frasier
William H. Paine, Sr.

Management Team

Timothy M. Antonition
President, CEO

Heather E. Hickman
Executive Vice President,
Chief of Retail Delivery

J. Alan Lewis
Executive Vice President,
Chief Operating Officer

Hilary A. Eisbrenner
Senior Vice President,
Chief Financial Officer

Laura L. Richard
Senior Vice President,
Marketing

Gregory E. DeRoy
Vice President,
Member Service Centers
and E-Banking

Linda A. Hart
Vice President,
Human Resources

Shane W. Hoyle
Vice President, Retail
Services, Central Florida

Kim M. Lynn
Vice President,
Operations

Kelley T. Martin
Vice President,
Underwriting

Christopher A. Matthews
Vice President,
Card Services and
Business Intelligence

Gary A. Prager
Vice President,
Consumer Sales and
Investment Services

Carmen M. Tapanes
Vice President, Retail
Services, South Florida

Nicole E. Williams
Vice President,
Information Technology

Audit Committee

Julie O. Robbins
Chairman

Donna M. Banta
Dr. Patricia Fontan
Dr. Karen O. Palladino

General Information

Headquarters Address
8045 N. Wickham Road
Melbourne, FL 32940-7920

Phone:
321.752.2222

E-mail
info@sccu.com

Web Address
www.SCCU.com

Branch Locations

Brevard County (19)
Broward County (12)
Flagler County (1)
Indian River County (4)
Miami Dade County (14)
Palm Beach County (1)
Volusia County (8)



Your Life. Your Financial Watchdog.