

SERVICE IS OUR PASSION

2018 Annual Report





YOUR BEST
INTEREST
IS OUR BEST
INTEREST

Committed to our mission, every day.

MSGCU is a caring organization dedicated to promoting financial success for our members. For us, caring means always doing what is best for you, our members. That includes exceptional rates, fair and honest terms, intelligent and personalized solutions, and authentic people providing friendly service.

MSGCU continued its community Giving Back program in 2018, with all branches donating time and resources to charitable organizations in their local communities. In addition, we offered more than \$100,000 in scholarships to high school students, college students and first responders. Classroom Cash Grants totaling more than \$45,000 were awarded to help fund innovative learning experiences in our schools.

In 2018, we welcomed more than 8,000 new members who chose to make MSGCU their financial home. Our members are the guiding factor in every conversation, decision, and offering at MSGCU. And we're truly honored to know that the feeling is mutual, as we continue to earn a 97% member satisfaction rating.

As we live our mission on a daily basis, we are one team focused wholeheartedly on helping members reach their financial goals. This excellent collaboration is reflected in MSGCU being named a Top Workplace in Michigan for the sixth year in a row, as well as in three recent credit union industry awards. We have been honored for our convenient Skip-a-Pay program and our free financial workshops that reached more than 6,000 students and adults last year. MSGCU was once again named by S&P Global Market Intelligence as one of the top 50 performing credit unions in the United States.

MSGCU is an organization that has been dedicated to the financial wellbeing of our members for more than 60 years and we look forward to continuing this tradition. We thank you for your membership.

Sincerely,

William J. Cayen

William Cayen
Board Chairman

Peter Gates

Peter Gates
President/CEO



The way we're different makes a difference.

At MSGCU, we measure our success in terms of yours. Members and communities are at the center of what we believe in and everything that we do. You have goals to reach and dreams to achieve, and we are here to help.

Every conversation we have with you—every day—matters. That's why our team members are friendly, helpful, and ready to listen. While other institutions are most concerned with their bottom line, we are interested in being an advocate for you—solving problems with sensible solutions that fit your particular needs. Because we believe every member deserves the chance to prosper.

We understand that great rates and low fees are high priorities when choosing a financial partner. As a not-for-profit credit union, we are able to structure our loan and savings products to benefit you, not a group of outside investors. Nothing satisfies us more than saving you money with a better rate or a smarter solution.

We are deeply committed to the Michigan communities we serve. We're proud to be part of the local fabric—volunteering time, donating resources, and offering free educational programs—helping friends and neighbors learn how to optimize their finances.

Our branches in Macomb, Oakland, and Wayne counties serve thousands of members. In fact, anyone living or working in Michigan's Lower Peninsula is eligible to join.

Growing stronger, member by member.

At Michigan Schools and Government Credit Union, we are dedicated to helping our members reach their financial goals. We thank you for a successful 2018, which included the following accomplishments:

Membership

MSGCU wouldn't be where it is today without your membership. We were pleased to welcome 8,567 new members in 2018 who chose to make MSGCU their financial home. Our MSGCU family grew to 127,825 members by the end of 2018.

2018 Awards

We were honored to be selected by the Michigan Credit Union League as the recipient of three prestigious awards, recognizing our efforts in community outreach.

- **2018 Louise Herring Philosophy-in-Action Member Service Award** for offering members a convenient and flexible Skip-a-Pay program. Many members employed by a school district may need the opportunity to skip a payment during the summer months, and we continue to offer the program throughout the year.
- **2018 Desjardins Adult Financial Education Award** for our inclusive approach to teaching members and area residents how to build a personalized path to financial wellbeing. This year we reached over 1,200 adults at over 59 financial workshops offered in-branch and online.
- **2018 Desjardins Youth Financial Education Award** for our innovative youth programs including Financial Reality Fairs, High School Marketing Campaign Competition and classroom workshops aimed to reach students where they are most comfortable and eager to learn. In all, we worked with 28 schools and several colleges to present 217 classroom workshops and reach over 5,600 students.



MSGCU is proud to have been named a Top Workplace by the *Detroit Free Press* for the sixth consecutive year. We sincerely believe this recognition is a reflection of our team's endless commitment to helping more members realize more of their financial goals.

See what wonderful things can happen when caring, collaboration and community work together.

MSGCU thrives because of our members and the communities we serve. Knowing this, we are dedicated to giving back in numerous ways, including:

Classroom Cash Grants: Rewarding Innovation

MSGCU was pleased to award more than \$45,000 in grants to 63 local educators. The Classroom Cash Grant Program awards teachers who are working to enhance their students' learning experiences. Winners are chosen using an online voting system at classroomcash.org.

Scholarships: Upholding the Value of Education

As a credit union founded by educators, we strongly believe in the power of education. We were proud to offer more than \$100,000 to students in 2018 to help offset the costs of higher education and recognize academic achievement and community involvement. Scholarships were awarded to high school seniors, students studying education and future first responders.

Financial Education and Community Partnerships

Acting on the Credit Union philosophy of "People Helping People," MSGCU participated in many events to promote financial wellbeing to both our members and the community at large. This included partnering with 51 schools, libraries, businesses and community centers, hosting 304 financial education workshops and helping over 7,900 community members with their financial education.

Giving Back to Our Communities

MSGCU's dedication to helping others extends beyond our offices. Employees honor the values and core competencies held by the Credit Union through their volunteer efforts in the communities we serve. In 2018, more than 125 local organizations benefited from 3,200 volunteer hours provided by employees throughout the Credit Union.

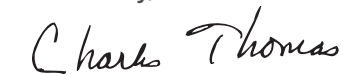
A message from the Audit Committee.

The primary responsibility of the Audit Committee is to ensure that Michigan Schools and Government Credit Union is managed soundly and that members' assets are being appropriately safeguarded.

The Audit Committee engaged the certified public accounting firm of Doeren Mayhew to perform an independent audit of the Credit Union's financial statements for the year ending December 31, 2018. Any reported suggestions have been forwarded to the Board of Directors and management for their review and handling.

During 2018, the certified public accounting firm of Rehmann conducted audits of various Credit Union operations and reported results to the Audit Committee and management. There were no major exceptions in any of their findings.

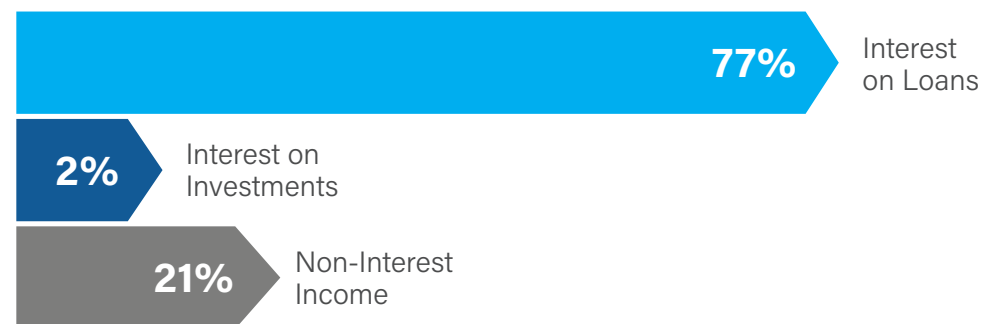
Sincerely,



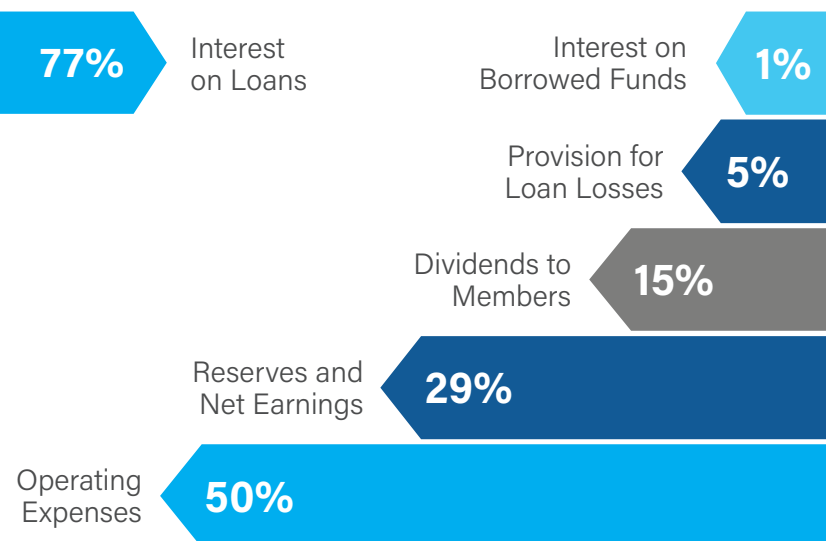
Charles Thomas
Director & Audit Committee Chairperson



Sources of Revenue



Uses of Revenue



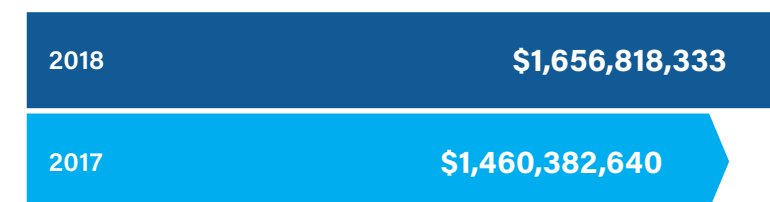
All data as of 12/31/2018

Statistics

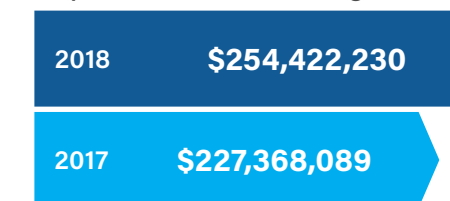
Assets



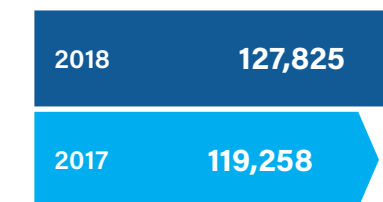
Loans



Capital/Retained Earnings



Members



Balance Sheet

Assets	2018	2017
Cash and Investments	\$302,876,261	\$319,627,676
Loans to Members	1,656,818,333	1,460,382,640
Land, Buildings, and Equipment	45,474,487	45,700,241
Other Assets	30,492,372	27,867,832
Total Assets	2,035,661,453	1,853,578,389

Liabilities and Net Worth

Member Savings	1,734,738,289	1,591,277,884
Other Liabilities	46,500,934	34,932,416
Retained Earnings	254,422,230	227,368,089
Total Liabilities and Net Worth	\$2,035,661,453	\$1,853,578,389

Income Statement

Income	2018	2017
Interest on Loans	\$72,018,440	\$65,196,947
Interest on Investments	2,068,171	9,748,530
Total Interest Income	74,086,611	74,945,477
Cost of Funds		
Interest and Dividends Expense	14,589,922	10,563,412
Interest on Borrowed Funds	518,399	111,543
Total Cost of Funds	15,108,321	10,674,955
Net Interest Income	58,978,290	64,270,522
Non-Interest Income	20,166,618	13,734,055
Total Income	\$79,144,908	\$78,004,577

Operating Expenses	2018	2017
Salary and Benefits	\$25,853,049	\$24,925,650
Board and Staff Expenses	730,999	783,200
Office Operations	11,043,411	9,888,604
Promotions and Advertising	3,211,610	2,950,494
Loan Servicing	4,704,810	4,919,084
Professional & Outside Services	1,260,268	1,580,192
Other Expenses	486,620	401,654
Total Operating Expenses	47,290,767	45,448,878
Net Income Before Loss Loan Provision	31,854,141	32,555,699
Provision for Loan Losses	4,800,000	7,200,000
Net Income	\$27,054,141	\$25,355,699



It is with warm wishes that we announce the retirement of Milo Perrera from our Board of Directors in June 2018. Milo has been an MSGCU member since 1977 and an MSGCU Board member since 1994. We thank him for his many years of devoted service to MSGCU and wish him the best in the next steps of his journey.



In 2018, we lost an important member of the MSGCU family, Board Director Steve Thomas, an MSGCU member since 1981 and an MSGCU Board member since 1997. Steve was a dedicated advocate of MSGCU, our membership, our team members and believed strongly in the philosophy of people helping people. His contributions to MSGCU and his community were significant and impactful. He will be fondly remembered.

Meet the volunteers who define our direction.

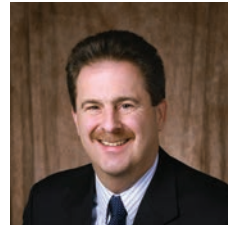
We are proud to have this group of distinguished professionals represent MSGCU members on our Board of Directors.



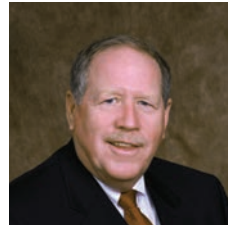
William Cayen
Chairman



Charles Thomas
Vice Chairman



Richard Maierle
Secretary



James McCann
Treasurer



Elizabeth Argiri
Director



Edward Callaghan
Director



Teresa DiMaria
Director



Richard Shoemaker
Director



Douglas Smith
Director

We humbly thank you for choosing MSGCU as your financial advocate.

We look forward to serving you in 2019.





Michigan Schools and Government Credit Union
is proud to have a 97% member satisfaction rating.*

Visit a branch

Find your nearest branch
at msgcu.org/locations

Mon–Wed: 9 a.m.–5 p.m.
Thu–Fri: 9 a.m.–6 p.m.
Sat: 9 a.m.–1 p.m.

Find us online

It's easy to keep in touch.
Visit msgcu.org/contact-us

Live Chat: msgcu.org/chat
Mon–Fri: 8 a.m.–8 p.m.
Sat: 9 a.m.–1 p.m.

Give us a call

Toll Free: 866.674.2848

Mon–Wed: 8 a.m.–5 p.m.
Thu: 8 a.m.–6 p.m.
Fri: 8 a.m.–7 p.m.
Sat: 8 a.m.–1 p.m.

*Overall member satisfaction rating based on 2018 Member Satisfaction Survey data.