



2018

A N N U A L R E P O R T



Protect. Serve. Care.

MINUTES

OF 85th ANNUAL MEETING OF MEMBERS MARCH 27, 2018

The **85th Annual Meeting** of the Membership of Cherokee Strip Credit Union was held at the Seminar Center of Pioneer Technology, 2101 North Ash in Ponca City, OK, on Tuesday, March 27, 2018. Directors John Happ, Dr. Robert Howard, Brad Beaty, Calvin Golliver, Sherri Tapp, Toni Gibson, Bill Geubelle, and Mike Trewitt were in attendance. Supervisory Committee Chairman Don Lockwood was also present. Executive Assistant Debbie Lindemann recorded the proceedings.

The meeting was called to order at 6:00 p.m. by Board Chairman Howard. Board Secretary Gibson reported a quorum present, with 43 Members in attendance. Secretary Gibson also presented a certificate stating that notice to Members had been provided more than seven days prior to this meeting. The proof of notice was ordered as received and filed.

Secretary Gibson read minutes from the 2017 Annual Meeting. Chairman Howard asked for any corrections or additions; none were noted. Member Mike Lawson made a motion, seconded by Member Sharla Vetter, to approve the 2017 minutes as presented. Upon vote, the motion passed with none opposed.

Chairman Howard presented a summary of credit union activity in his annual report. He then introduced the Board of Directors, and deferred to Board Treasurer Happ for the financial report.

Chairman Lockwood then presented his Supervisory Committee report. Chairman Howard asked if there were any questions regarding the Treasurer or Supervisory Committee reports; none were noted. Member Teresa Black made a motion to approve both reports, seconded by Member Nancy Marlar. Upon vote, the motion passed with none opposed.

CEO O'Hare presented his strategic overview, then deferred to Chairman Howard to introduce honored Members and local dignitaries, including Ponca City News Business Editor Louise Abercrombie, City of Ponca City Mayor Homer Nicholson, and former Credit Union leaders LaRannah Bartlett and Julie Cunningham, as well as our former Chief Executive Officer Howard Sissel.

Chairman Howard then introduced Member Advisor Jackie Gordon, who reported on activities of the Culture Committee that benefited both our internal Associates as well as several charitable organizations.

Chairman Howard then called upon Secretary Gibson, who presented the following resolution: "Resolved, that all acts and other proceedings heretofore passed by the Directors and its Committees since the last Annual Meeting of the Membership, are hereby approved, ratified, and confirmed in each and every respect." Chairman Howard asked for a motion to approve the resolution. Member John Kana made a motion, seconded by Member Gerald Howard, to approve the resolution. Upon vote, the motion passed with none opposed.

Chairman Howard called upon the Membership for any unfinished business, then any new business. With none noted, the floor was given to Nominating Committee Chairman Geubelle, who presented incumbents John Happ, Sherri Tapp, and Mike Trewitt to the Membership. Chairman Howard asked for additional Board nominations from the floor three times; none were noted, at which time he declared the nominations closed. Member John Kana made a motion to elect incumbents Happ, Tapp, and Trewitt to serve new three-year terms as Board Director. The motion was seconded by Member Gerald Howard, and upon vote, the motion passed with none opposed.

Chairman Howard then introduced Director of Technology and Logistics Mark Love for the presentation of door prizes, including four awards of \$25 cash, two awards of \$50 cash, two awards of \$100 cash, three awards of a \$50 gas card, a Keurig® coffee maker, a Yeti® cooler, and a 65" LED television. Operations Manager Becky Hatton, Member Advisor Jackie Gordon, Loan Manager Stacey Calderon, and Finance & Insurance Coordinator Brittney Swain assisted Mr. Love in the presentation.

Chairman Howard was asked from the floor if more detail could be given about the upcoming "Miracles for Children" charitable campaign. Campaign Chairperson and Member Coordinator Carrie Best stated the Credit Union and its Culture Committee will sell World's Finest chocolate bars at both our branch locations over the next few months. Proceeds will benefit the 200,000 children in Oklahoma, including 2,000 children from Kay County, who have been and continue to be served by the Children's Hospital in Oklahoma City.

Chairman Howard thanked Ms. Best for her report and asked for any other items from the floor, with none noted. With the business of the Membership complete, Chairman Howard adjourned the meeting at 6:50 p.m.

CHAIRMAN REPORT

Dr. Robert Howard, Chairman of the Board



Credit unions are a good place to bank. As a non-profit financial institution owned by its Members, our operating income cycles back to you instead of stockholders, which means that you can benefit directly the more you use us. Your vote at annual meetings elects the volunteer Board of Directors that sets strategic direction and watches over your investment. Also, credit unions believe that financial literacy and education are important, with a focus on helping their members succeed financially. Finally, the cooperative element of a credit union means that your deposit can make a real difference locally, by becoming your neighbor's loan for a new house, car, or small business.

Credit unions are a safe place to bank. Deposits at almost all credit unions are guaranteed by the National Credit Union Association (NCUA), which protects member shares the same way that the Federal Deposit Insurance Corporation (FDIC) insures banks. As a result, your deposits here are insured by the federal government up to \$250,000 per ownership category.

Credit unions are a stable place to bank. We started serving Ponca City as Conoco Employees (PC) Credit Union in 1933 – which, at that time, was only the second credit union chartered in Oklahoma. In July 1994, our name was updated to Cherokee Strip Credit Union and, over time, we've grown to nearly 9,000 Members and \$70 million in assets. Still, no matter how big we get, our focus on you, the Member, will never change.

Together, we've done some good work this past year. We added Home Equity Lines of Credit back into our loan offerings, upgraded our core systems with new state-of-the-art technology, rolled out a fresh and simple website, installed new online and mobile banking, added live chat functionality as another way you can engage with us, improved business continuity with a brand-new network architecture, expanded our Member Service phone hours to 7 a.m.-7 p.m. weekdays and 7 p.m.-4 p.m. Saturdays, and opened Cherokee Strip Insurance Agency – a subsidiary 100% owned by our Members that works with over 40 regional and national underwriters who compete for almost all your personal and business insurance needs.

Marketing

We also standardized and refreshed our marketing. Your Board of Directors was challenged to consider changing our name and logo, a decision that was difficult for many of us who have a long history with our legacy brand marks. After the debate settled, we decided to update our logo, but to keep our name as one of the oldest credit unions in Oklahoma. In keeping with that tradition, we borrowed a wagon wheel from our old logo and positioned it as a sunrise over our name. While we've been here a long time, we're really just getting started in becoming the best financial institution for you and your family.

Finally, we moved field of membership back to our roots, to again serve those with a common bond or association. To the bonds we've always had, we added current and prospective members of the Oklahoma Consumer Council. We believe our missions of financial simplicity, empowerment, and education align well – and with Council members residing in almost every part of our great state, we'll now be able to help more Oklahomans bank better as owners of their financial institution.

Our history is great and our future even brighter.

We've come a long way together, with more to accomplish. To fully realize our future, I ask that you think of Cherokee Strip Credit Union first for your banking and insurance needs, and to tell your neighbors about us. On behalf of your Board of Directors, I want to offer my sincere thanks for the opportunity to serve you, as we begin our 87th year serving Kay County and beyond.

Thank you for allowing me to serve as your Chairman of the Board of Directors.

TREASURER REPORT

John Happ, Board Treasurer



Once again, I'm pleased to report that your Credit Union was profitable this past year and remains a well-capitalized financial institution.

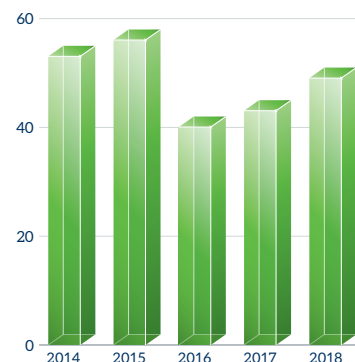
On the Statement of Financial Condition, you'll see that assets and funding remained stable, even as we continued to improve earnings by liquidating some investments to fund loans. Holding back overall growth also allowed us to increase our Capital Ratio, as we target a minimum level of 10.00%. Members also responded well to higher dividend rates on our Certificates of Deposit, moving some of their Share Savings balances into new CDs.

On the Statement of Income, we exceeded budget for the second year in a row, even with the previously anticipated headwinds that pushed us back a bit. These included \$231,000 in additional reserves for an accounting change to our Loan Loss model, and \$100,000 in technology costs related to installation of a new core processing system, website, phone system, and network architecture. Member dividends, a priority for the Board as return on your investment, also increased by 70%. As a nice offset to these charges, the National Credit Union Association returned \$64,000 in share insurance premiums that we paid in prior years.

Finally, we sunset our TruStage® Insurance offerings and opened Cherokee Strip Insurance Agency. A subsidiary of the Credit Union that is 100% owned by our Members, the Agency works with over 40 regional and national underwriters who compete for your personal and business insurance needs. As a former insurance executive, I'm very excited that we are building a new marketable business, and now own the policies that our Agency underwrites. As your Treasurer, I'm most excited about the prospect of additional fee income that, over time, should allow us to reduce earnings dependency on external changes to market interest rates, and further increase our dividends to you.

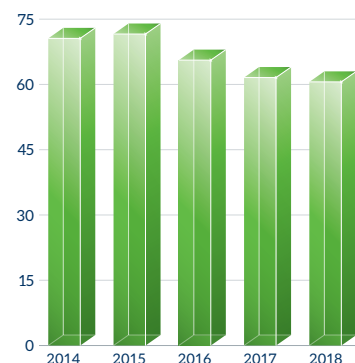
Loans

(Dollars in Millions)



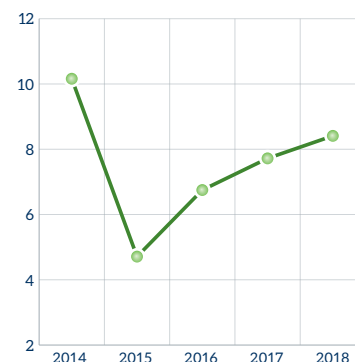
Member Share Deposits

(Dollars in Millions)



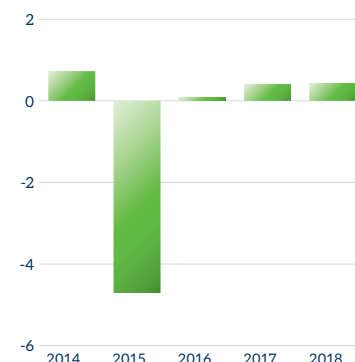
Capital Ratio

(Members Equity as a % of Assets)



Net Income

(Dollars in Millions)



Statement of Income (Dollars in Thousands)

	2016	2017	2018
Interest on Loans	\$ 2,859	\$ 2,540	\$ 2,929
Interest on Investments	\$ 149	\$ 334	\$ 283
Non-Interest Income	\$ 671	\$ 788	\$ 894
Operating Income	\$ 3,679	\$ 3,662	\$ 4,106
Compensation & Benefits	\$ (1,166)	\$ (1,194)	\$ (1,354)
Technology & Operations	\$ (801)	\$ (731)	\$ (860)
Legal & Professional Services	\$ (397)	\$ (232)	\$ (144)
Loan Servicing	\$ (125)	\$ (115)	\$ (164)
Occupancy & Depreciation	\$ (160)	\$ (154)	\$ (186)
Education, Marketing & Other	\$ (45)	\$ (79)	\$ (93)
Member Dividends	\$ (106)	\$ (99)	\$ (168)
Operating Expenses	\$ (2,800)	\$ (2,604)	\$ (2,969)
Net Operating Income	\$ 879	\$ 1,058	\$ 1,137
Special Recovery from CUMIS, Loan Fraud	\$ 1,200	\$ 0	\$ 0
Members Share Insurance Rebate from NCUA	\$ 0	\$ 0	\$ 64
Provision for Potential Future Loan Losses	\$ (785)	\$ (644)	\$ (750)
Reimbursement from Cherokee Strip Insurance Agency, for Support Services provided to them	\$ 0	\$ 0	\$ (14)
Net Income	\$ 1,294	\$ 414	\$ 437

Statement of Financial Condition (Dollars in Thousands)

	2016	2017	2018
Cash	\$ 12,561	\$ 3,422	\$ 3,593
Investments	\$ 16,623	\$ 18,434	\$ 11,725
Loans (Net of Allowance)	\$ 40,258	\$ 44,352	\$ 50,613
Land & Building	\$ 1,592	\$ 1,538	\$ 1,698
Other Assets	\$ 2,174	\$ 1,655	\$ 1,391
Assets	\$ 73,208	\$ 69,401	\$ 69,020
Share Savings	\$ 46,138	\$ 43,469	\$ 38,911
Draft Checking	\$ 9,616	\$ 9,506	\$ 10,175
Share CDs & IRAs	\$ 12,621	\$ 11,056	\$ 14,121
Accounts Payable	\$ 324	\$ 449	\$ 352
Members' Equity	\$ 4,509	\$ 4,921	\$ 5,461
Liabilities & Reserves	\$ 73,208	\$ 69,401	\$ 69,020

SUPERVISORY COMMITTEE REPORT

Don Lockwood, Supervisory Committee Chairman



The Supervisory Committee is an independent authority, created and empowered by your Board of Directors to oversee credit union activities. Our goal is to confirm that management installs appropriate controls, processes, and procedures that Protect the Cooperative and secure your ownership interest.

To achieve our goal, we personally review credit union records, and also engage outside professionals. Results of these reviews are reported directly back to the Board, as I participate in almost every Board meeting.

In 2016, we hired CPA firm CliftonLarsonAllen (CLA) to benefit from their 50 years of experience serving more than 250 cooperatives nationwide. Once again, they performed our most recent Automated Clearing House audit, Bank Secrecy Act audit, quarterly internal

audits, and annual Agreed Upon Procedures that review operations in greater detail. CLA results are shared directly with my Committee, and I'm pleased to report no material concerns of note over the past year.

In addition, the Oklahoma Banking Department and National Credit Union Association conduct formal onsite examinations, since we are state-chartered with our shares federally-insured. Their most recent joint visit was in September 2018, and the regulators were pleased with our continued progress forward as a well-capitalized financial institution.

Thanks once again to my Committee partners, Mike Connelly and Jamie Ford, for their volunteer service, and to you for the trust placed in us to watch over your investment.



PRESIDENT REPORT

Johnny O'Hare, President & CEO



This past year was a special one for your Cherokee Strip Credit Union. While our annual income, capital reserves, and dividend levels continued to grow, we also completed some very ambitious projects on time. I'm pleased to report that we remain on track with our plan to collectively build a world-class financial cooperative in north central Oklahoma.

You'll recall that in 2016, our first year together, we focused on Stabilization, with the implementation of new policies, procedures, loan pricing models, and risk management tools that better Protect the Cooperative and also set a baseline for subsequent improvements. We also ramped up Direct Consumer loan originations and built a new high-performing investment portfolio to restart our earnings engine.

As we moved into 2017, we focused on the Team, so that proper organizational structure and staffing were in place and positioned correctly. You'll remember that we also re-established Indirect Consumer lending relationships with flagship car dealers in Ponca City.

This past year was strategically designated as our year of the System, as we upgraded the core systems that we use to securely originate, store, and deliver your account information and services. We also added a new consistency to the look and feel of our Member touchpoints, embedded new functionality into those touchpoints, and made information more readily available on your schedule – not ours. We expanded our phone access hours, installed live chat sessions in our electronic portals, re-introduced home improvement loans, standardized our market branding, improved the scope of our insurance offerings by opening a new full-service insurance agency owned by you, and expanded our field of membership to begin serving Oklahomans outside of Kay County.

As we begin 2019, we'll focus on Products, as we find ways to increase rewards if you choose to do more business with us. As part of that focus, we'll also add clarity to our onboarding tools and messaging, to make it easier for you to understand all the ways we can improve your financial life. We'll also continue to expand mortgage offerings with conventional home loans, and add a new security chip to your debit card. Moving into 2020, look for us to start focusing on Facilities, as we consider potential building upgrades and future expansion of our branch footprint.

We've been very busy lately, with a lot of moving parts. Still, our Core Mission remains clear and simple: Protect the Cooperative, Serve our Members, and Take Care of Each Other. If we do that, we'll remain relevant to you, a vibrant corporate citizen, and financially sound. Stick with us – the best is yet to come, as we continue to provide you with reasons to make us your primary financial institution.

Moving forward together, I'd like to personally thank you for your loyalty and your Membership. Alongside my great teammates and our talented volunteer Board of Directors, it remains my honor to serve you.

CULTURE COMMITTEE REPORT



The Culture Committee presented \$3,000 to the Children's Miracle Network, as raised by our Associates and Members from candy bar sales.

As part of our Core Mission, **Taking Care of Each Other** comes easily to the Culture Committee, which is owned by our Associates and supported by management. Our purpose is to improve the Associate Experience, while also serving our neighbors. We take suggestions, ideas, and feedback from our teammates and find fun and memorable ways to both improve our culture and care for our community.

Alongside management, we also support local civic and charitable organizations with modest donations or volunteer time on behalf of our Members. In 2018, some of these included the Ponca City Humane Society, Partner in Education Liberty Elementary School, Ponca City Professionals Today, One Million Cups, The Opportunity Center, United Way, Golden Villa, New Emergency Resource Agency, Peachtree Landing, the Chamber's Stuff the Bus, Habitat for Humanity, and Friendship Feast.



The Culture Committee presented \$500 in Associate Jeans Day proceeds to executives at the Ponca City Humane Society. We also house their aluminum recycling bin at our East Prospect Branch, which allows the entire neighborhood to actively support PCHuS rescue efforts.



Our Operation End Hunger campaign resulted in the donation of two shopping carts full of non-perishable items to Friendship Feast, which serves a hot meal to locals in need every Monday through Thursday. The Culture Committee also recruited internal volunteers to help serve meals each month.

At CSCU, every Associate's primary goal is **Serving our Members**. To support that, the Culture Committee serves our Members in a different way – by boosting the morale of our Associates. It stands to reason that if we are happy to come to work, we'll be happy to serve our Members. As Committee members and volunteer leaders, we are proud to be Associates of Cherokee Strip Credit Union, and we want others to feel that way too.

This past year, the Culture Committee also played an important role in bringing our team together during once-in-a-generation technology upgrades. We helped with fun activities, built a comment wall to freely share ideas, and hosted a "can do" kickoff event modeled after the **Survivor** television series.



CULTURE COMMITTEE

(Left to right): Jackie Gordon, Debbie Lindemann, Brittney Swain



The Culture Committee presented \$500 in Associate donations to Peachtree Landing, supporting their efforts to assist homeless individuals and families with emergency shelter and self-sufficiency skills.



CSCU was an exclusive financial institution sponsor of the Golden Apple Award, recognizing an outstanding local teacher each month, including November 2018 award winner Katie Butler of Trout Elementary School in Ponca City.

NOMINATING COMMITTEE REPORT

Sherri Tapp, Nominating Committee Chairperson



Fellow Members of Cherokee Strip Credit Union,

On behalf of the Nominating Committee, it gives me great pleasure to present the following slate of Director candidates for your consideration:



Brad Beaty (incumbent) – Board Director since 2016

Brad currently serves on the Board's Personnel Committee. Born and raised in Ponca City, he is the grandson of Paul Barr, who managed our Credit Union in the 1970s. Brad participated in Future Farmers of America, serving as Chapter President and obtaining both State Farmer and American Farmer Degrees. He graduated from Northern Oklahoma College in 1983 with an Associate Degree in Ag-Business, later earning a Bachelor's Degree in Ag-Business from Oklahoma State University in 1987. Brad is current President of Fowler Vending Corporation and Manager of Farha Wholesale Company. He has served the Ponca City Rodeo Foundation for nearly 30 years, and he's been a member or Chairman of various statewide youth and high school rodeo organizations. In addition to building their companies, Brad and his wife, Tina, raised two successful children. Daughter Kaity attended college in Weatherford before returning to join the family business, while son Braden received a degree in finance from Dad's alma mater, Oklahoma State University.



Toni Gibson (incumbent) – Board Director since 2012

Toni currently serves as Board Secretary, and on the Board's Personnel Committee. She has also served on the Boards of the Ponca City Chamber (two terms), Hospice of North Central Oklahoma, Ponca City Traffic Commission, Ponca City Domestic Violence, and Ponca City Library. Toni earned a Bachelor of Science degree in Pharmacy from the University of Oklahoma. She has owned Toni's Westside Healthmart on Grand Avenue, here in Ponca City, for the past 38 years. In her free time, Toni enjoys playing bridge and attending OU football games.



Calvin Golliver (incumbent) – Board Director since 1990

Calvin is currently Chairman of the Board's Investment Committee and serves on the Board's Technology & Facilities Committee. He earned a Bachelor's Degree in Business Administration, with a major in accounting, and retired from Conoco in 2004. He also served his state and country honorably for six years in the Oklahoma National Guard. Calvin considers it an honor to have served our Membership for many years, and he looks forward to the opportunity to represent you in the years to come.

Each of these individuals has an exemplary record of prior service to this Board, and has willingly offered their names again for consideration.

Let the record reflect that on this day, March 25, 2019, the Nominating Committee of Cherokee Strip Credit Union presents these three Director candidates to our Membership and recommends a "YES" vote on each.

1. **Call to Order**
Dr. Robert Howard,
Chairman of the Board
2. **Roll Call and Quorum**
Toni Gibson, Board Secretary
3. **Minutes of the 85th Annual Meeting**
Toni Gibson
4. **Report of the Chairman**
Dr. Robert Howard
5. **Report of the Treasurer**
John Happ, Board Treasurer
6. **Report of the Supervisory Committee**
Don Lockwood, Chair
7. **Report of the President**
Johnny O'Hare
8. **Report of the Culture Committee**
Jackie Gordon,
Senior Member Advisor
9. **Unfinished Business**
10. **New Business**
11. **Report of the Nominating Committee**
Sherri Tapp, Chair
12. **Board Elections**
Dr. Robert Howard
13. **Door Prizes**
Mark Love,
Director/Technology & Logistics
14. **Adjournment**

BOARD AND COMMITTEES

Dr. Robert Howard
Chairman of the Board, Investment
Committee, Insurance Agency Director

Mike Trewitt
Board Director, Nominating Committee

Toni Gibson
Board Secretary, Personnel Committee

John Happ
Board Treasurer, Investment Committee,
Personnel Committee Chair, Insurance
Agency Chair

Calvin Golliver
Board Director, Investment Committee
Chair, Technology & Facilities Committee

Bill Geubelle
Board Vice Chair, Investment Committee,
Technology & Facilities Committee Chair

Brad Beaty
Board Director, Personnel Committee

Phillip Johnston
Board Director, Nominating Committee

Sherri Tapp
Board Director,
Nominating Committee Chair

Don Lockwood
Supervisory Committee Chair

Jamie Ford
Supervisory Committee

Mike Connelly
Supervisory Committee

IMPORTANT INFORMATION

ABA Routing/Transit Number:
303185703

Phone:
(580) 718-4000

VIP Club:
Text MYCU2 to 21000

Website and Online Banking:
www.cherokeestrip.com

**Opt-In to our
Electronic Newsletters at:**
info@cherokeestrip.com



Website

www.cherokeestrip.com



LinkedIn

www.linkedin.com/company/cherokee-strip-credit-union



Instagram

www.instagram.com/cscu_ok



BOARD OF DIRECTORS

Front Row (left to right): Dr. Robert Howard, Chairman; Bill Geubelle, Vice Chairman;
John Happ, Treasurer; Toni Gibson, Secretary

Back Row: Calvin Golliver, Director; Mike Trewitt, Director; Brad Beaty, Director;
Sherri Tapp, Director; Phillip Johnston, Director

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WAVERLY BRANCH

(west)

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