



2019

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



Strong Roots. New Beginnings.



MINUTES | OF THE 86TH ANNUAL MEETING OF MEMBERS

MARCH 25, 2019

The **86th Annual Meeting** of the Members of Cherokee Strip Credit Union was held at the Seminar Center of Pioneer Technology, 2101 North Ash in Ponca City, OK on Monday, March 25, 2019. Board Directors John Happ, Dr. Robert Howard, Calvin Golliver, Sherri Tapp, Toni Gibson, and Phillip Johnston were in attendance. Supervisory Committee Chairman Don Lockwood was also present. Executive Assistant Lindemann recorded the proceedings.

The meeting was called to order at 6:00pm by Board Chairman Howard. Board Secretary Gibson reported a quorum present, with 66 Members in attendance. Secretary Gibson also signed 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 presented minutes from the 2018 Annual Meeting. Chairman Howard asked for any corrections or additions; none were noted. Member John Kana made a motion, seconded by Member Sharla Vetter, to approve the 2018 meeting minutes as presented. Upon vote, the motion passed with none opposed.

Chairman Howard delivered his annual report to the Membership. He then introduced the Board of Directors and subsequently deferred to Treasurer Happ, who presented our financial report. Supervisory Chairman Lockwood then presented his Committee's report.

Chairman Howard asked if there were any questions on the Treasurer or Supervisory Committee reports; none were noted. Member Louise Abercrombie made a motion to approve both reports, seconded by Member Lyn Boyer. Upon vote, the motion passed with none opposed.

CEO O'Hare presented his strategic overview and then introduced Senior Member Advisor Gordon, who reported on activities of our Culture Committee, which benefit both internal Associates and our local community.

Chairman Howard then called upon Secretary Gibson, who presented a resolution to ratify and confirm all acts and proceedings passed by the Board and its Committees during the past year. Chairman Howard asked for a motion to approve the resolution. Member Bob Case 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 for any new business. With none noted, the floor was given to Nominating Committee Chairperson Sherri Tapp, who presented Director candidates and incumbents Brad Beaty, Toni Gibson and Calvin Golliver to the Membership. Chairman Howard asked for additional nominations from the floor three times; none were noted, at which time he declared the nominations closed. Member David Cummings made a motion to elect Members Beaty, Gibson and Golliver to serve new three-year terms as Board Directors. The motion was seconded by Member Nancy Marlar, and upon vote, the motion passed with none opposed.

Chairman Howard then introduced Director of Technology & Logistics Love for presentation of door prizes – including six awards of \$25 cash, four awards of \$50 cash, two awards of \$75 cash, one award of \$100 cash, one award of \$150 cash, one award of \$250 cash and a 55-inch smart LED television. Resolutions Coordinator Kearney, Member Advisor Luis, and Finance & Insurance Coordinator Swain helped deliver the awards.

Chairman Howard asked for any other items from the floor, with none noted. With the business of the Membership concluded, Chairman Howard adjourned the meeting at 7:02pm.

CHAIRMAN REPORT

Dr. Robert Howard, Chairman of the Board



On behalf of the Board of Directors, I'm pleased to report that membership in your Cherokee Strip Credit Union remains a sound investment. Alongside management and our talented staff, we continue to make strategic progress and key improvements that we believe position us quite well for years to come. Regulators appear to feel the same, as they recently raised our internal rating as a well-capitalized financial institution that manages risk and returns appropriately.

The year 2019 continued our positive progress, as we added conventional mortgages back to our product mix, reissued debit cards with a new EMV security chip, and created a Loan Rewards Club that pays new monthly benefits to those who do more with us and keep their loan current. We listened to you by adding a new ATM cash machine at our West Waverly location, expanded indirect lending into Stillwater and Enid, and onboarded our first-ever Member investments and wealth management solution through Polaris Portfolios. Most importantly, our Return to the Member increased with 86% growth in total dividends paid.

Longer term, we're pleased to report that net income rose for a third consecutive year, our capital ratio has doubled in the past four, and we approved a new Strategic Plan that

continues our reach beyond Kay County while focusing on the communities we've served for our first 87 years.

Strategically, you'll see that we've now expanded well beyond basic banking services – and into Member insurance, investment, and financial empowerment solutions. Rapidly evolving technology and changing preferences are leading consumers toward comprehensive banking providers who are easy to engage, deliver relevant financial tools, and simplify their financial life. It's a tall order, but we're working hard to fulfill that promise – and as a result, the future has never been brighter for your Cherokee Strip Credit Union.

I invite you to actively join us on this exciting journey forward. If you're already a Member, use more of our services. If you've been away a while, come back around the campfire. Encourage your neighbors to stop by or visit us online at www.cherokeestrip.com. Everything we do is for you, as we continue our focus on ways to simplify, empower, delight, and reward.

Entering my third decade of service to your Board, I'd like to personally invite you to our 87th Annual Meeting, and thank you for your valued membership. Welcome home.



Board Chairman Dr. Robert Howard presented retiring Director and Investment Committee Chairman Calvin Golliver with an Excellence in Service award, recognizing his 30 years of exemplary dedication and leadership to our cooperative.

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 overall balances remained relatively stable, although the mix changed a bit. We let some Investments mature into Cash, as the Federal Reserve at one point paid us more on overnight balances than the yield earned on a 10-year Treasury note. Loans declined after our Investment Committee refined and tightened underwriting limits more than once, in anticipation of a possible economic slowdown. Still, your Credit Union delivered \$18.7 million in loan originations, as we also leveraged our new field of membership to begin lending indirectly at premier car dealers in Enid and Stillwater. On the funding side, Members embraced our higher certificate rates by moving some of their share savings balances into new share CDs.

On the Statement of Earnings, our gross yield on loans rose as we more appropriately priced risk, and net charge-offs on bad loans stabilized – allowing us to earn a bit more loan income and also reserve a bit less loan expense for potential losses. Technology costs also fell, and dividend income rose, thanks to an ownership stake in new technology provider CU*Answers. We increased headcount a bit, and more Associates took advantage of our benefits package, yet we kept growth in Compensation and Benefits to a very modest amount. Finally, we nearly doubled our Return to the Member in the form of more dividends paid, and new Loan Rewards Club deposits for those who keep their loan payments current and use more of our services.

We haven't grown the past few years, and that's by design. Through judicious, prudent and active balance sheet management, combined with a drive to identify new revenue streams, our Capital Ratio has essentially doubled in the past four years. This additional cushion of reserves better positions us to weather future challenges, pleases our regulators, and sets us up nicely for more opportunities to reward your valued loyalty and membership.

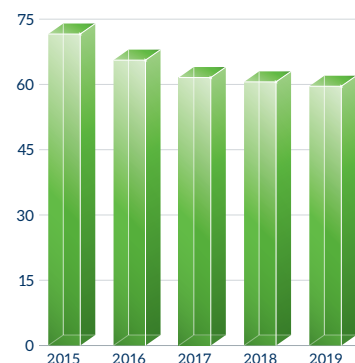
Loans

(Dollars in Millions)



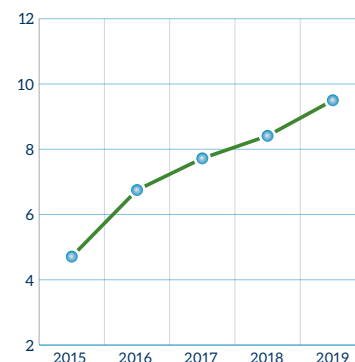
Member Share Deposits

(Dollars in Millions)



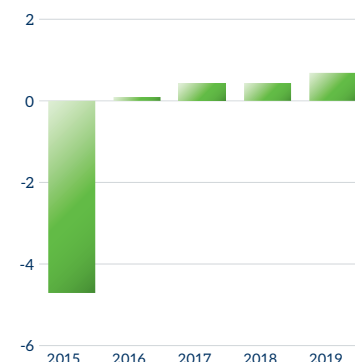
Capital Ratio

(Members' Equity as a % of Assets)



Net Income*

(Dollars in Millions)



Statement of Earnings *(Dollars in Thousands)*

	2017	2018	2019
Interest on Loans	\$ 2,540	\$ 2,929	\$ 2,940
Interest on Investments	\$ 334	\$ 283	\$ 325
Non-Interest Income	\$ 788	\$ 894	\$ 1,030
Operating Income	\$ 3,662	\$ 4,106	\$ 4,295
Compensation & Benefits	\$ (1,194)	\$ (1,354)	\$ (1,364)
Technology & Operations	\$ (731)	\$ (860)	\$ (739)
Legal & Professional Services	\$ (232)	\$ (144)	\$ (190)
Loan Servicing	\$ (115)	\$ (164)	\$ (171)
Occupancy & Depreciation	\$ (154)	\$ (186)	\$ (193)
Education, Marketing & Other	\$ (79)	\$ (93)	\$ (118)
Member Dividends	\$ (99)	\$ (168)	\$ (312)
Operating Expenses	\$ (2,604)	\$ (2,969)	\$ (3,087)
Net Operating Income	\$ 1,058	\$ 1,137	\$ 1,208
Members' Share Insurance Rebate from NCUA	\$ 0	\$ 64	\$ 0
Provision for Potential Future Loan Losses	\$ (644)	\$ (750)	\$ (489)
Reimbursement from Cherokee Strip Insurance Agency, for Support Services provided to them	\$ 0	\$ (14)	\$ (33)
Net Income	\$ 414	\$ 437	\$ 686

Statement of Financial Condition *(Dollars in Thousands)*

	2017	2018	2019
Cash	\$ 3,422	\$ 3,593	\$ 8,291
Investments	\$ 18,434	\$ 11,725	\$ 9,836
Loans (Net of Allowance)	\$ 44,352	\$ 50,613	\$ 47,434
Land & Building	\$ 1,538	\$ 1,698	\$ 1,691
Other Assets	\$ 1,655	\$ 1,391	\$ 1,478
Assets	\$ 69,401	\$ 69,020	\$ 68,730
Share Savings	\$ 43,469	\$ 38,911	\$ 36,140
Draft Checking	\$ 9,506	\$ 10,175	\$ 9,864
Share CDs & IRAs	\$ 11,056	\$ 14,121	\$ 16,008
Accounts Payable	\$ 449	\$ 352	\$ 375
Members' Equity	\$ 4,921	\$ 5,461	\$ 6,343
Liabilities & Reserves	\$ 69,401	\$ 69,020	\$ 68,730

SUPERVISORY COMMITTEE REPORT

Don Lockwood, Supervisory Committee Chairman



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

To achieve that 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 2019, we renewed our contract with the 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 reports 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 Administration conduct formal onsite examinations, since we are state chartered with our shares federally insured. Their most recent joint visit was in February 2020, and the regulators were pleased with our continued progress forward.

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



PRESIDENT REPORT

Johnny O'Hare, President & CEO



Strong Roots. New Beginnings.

To me, these words really resonate as a simple yet powerful way to visualize where we've been – and where we're going – as your Credit Union.

Still only 87 years young, we proudly admire the solid foundation laid by our leaders of yesterday, and excitedly anticipate the additions that tomorrow's generations will build on. Meanwhile, as the stewards of today, we clearly appreciate our part in this process, and remain laser-focused in reinforcing our foundation with key pillars of success that will keep us relevant, vibrant and sound as we move forward.

Over the past few years, we've really done some heavy lifting together. You'll recall that when we started our journey in 2016, we focused on Stabilization – including the development of new policies, new procedures, and a complete reset in how we manage our balance sheet, our risk profile, and our loan underwriting. In 2017, we focused on building up the internal firepower of our Team, and 2018 brought about significant upgrades to our Systems, official approval to expand our field of membership, and the opening of our wholly owned, full-service Cherokee Strip Insurance Agency subsidiary.

This past year, we focused on Products and the development of new ways to reward you, along with the rollout of a new investments and wealth management solution through Polaris Portfolios. Our Loan Rewards Club went live last summer with great success, and soon you'll start to experience our comprehensive new Product Menu, which includes brand-new Rewards Dividend, Rewards CashBack, and Rewards Innovators deposit

accounts. For the first time, everything your Credit Union offers will now be simply stated on the front and back of a single sheet of paper.

In the coming year, we'll start to focus on Facilities – taking a closer look at the layout and functionality of our current branches, and also examining the untapped potential within our new membership footprint. We'll also roll out new financial coaching and empowerment tools that may even include a fresh new mobile app for kids where they can "earn to learn."

Looking a bit beyond 2020, we'll reinforce internal training with confident Associates that are empowered to act, and also simplify our messaging to you. I still believe we must be easy to understand and easy to use for you to engage us, a concept so important that we've codified it into our Forward Vision.

If you've ever owned or worked for a business, you know that everything starts with people. Here in north central Oklahoma, I'm blessed to have great people all around. A volunteer Board and internal team of rebels and rock stars who continue to create, innovate and delight, as well as a great Membership of nearly 9,000 loyal friends and neighbors who drive our success and financial results. Thank you all for that, and as we begin our next 87 years, I invite you to double-down if you're in, come back home if you've been away, and take full advantage of the simplicity and power of your Cherokee Strip Credit Union.

Strong Roots. New Beginnings. Let's get started.



In July, we were pleased to again host the Ponca City Chamber's Business After Hours event.

CULTURE COMMITTEE REPORT



Culture Committee sponsored another flash event in the heat of summer – this time giving away snow cones at our Prospect branch.



2019 Culture Committee (left to right):
Patty Doughty, Samantha Spaich, Chandler Peckenpough, Debbie Lindemann, Merrilee Rockett



If you see our teammates wearing jeans on Friday, it's because they've authorized a payroll deduction that directly benefits local agencies in our community. From these funds, we presented a \$500 cash donation to executives at the Ponca City Habitat for Humanity.



Culture Committee had a big hand in our first community Spring Fling, and a Fall Bash which included free document shredding. The Ponca City Humane Society also stopped by with fur babies ready for adoption, as we shared \$500 raised through our Friday Jeans program.

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 two-fold: to improve the Associate experience, and to serve our neighbors and the agencies that support them. We take suggestions and feedback from our teammates, and through those ideas, we find fun and memorable ways to both strengthen our internal culture, and to care for our community.

Alongside management, the Committee and our Associates support local civic and charitable organizations with modest donations or volunteer time on behalf of our Members. In 2019, some of these included the United Way of Ponca City, Ponca City Humane Society, PIE partner Liberty Elementary School, Ponca City Habitat for Humanity, Child Development Center, Po-Hi Class of 2020, CASA of Kay & Noble Counties, Hospice of

North Central Oklahoma, Friendship Feast, Peachtree Landing, Pioneer Technology Center Foundation, New Emergency Resource Agency – Food Resource Center, Professionals Today, Pioneer Woman Museum, Ponca City Schools Foundation, Ponca City Noon Lions Club, American Cancer Society, Opportunity Center, Newkirk Ag Boosters, Children’s Miracle Network, Ponca City Art Association, Northern Oklahoma College Foundation, Golden Villa, and Ponca Playhouse.

We also held community events at our Prospect branch, celebrated teammate birthdays, and hosted a year-end Associate Christmas party.

Finally, we presented Brittney Swain, Stacey Calderon, Merrilee Rockett, and Jesalyn Bennett with Associate of the Quarter awards, and Linda Smith with our Volunteer of the Year award.



The Culture Committee and our Members participated in another successful Holiday Food Drive, delivering canned goods, nonperishables and a \$500 Friday Jeans cash donation to the New Emergency Resource Agency – Food Resource Center of Ponca City.



We’re proud of our roots as the second credit union chartered in Oklahoma, way back in 1933. During football season, we carry that tradition forward and celebrate Bedlam as the unofficial state holiday that it is. For our teammates, picking a side is easy. For both OU and OSU, winning the game is usually not.

NOMINATING COMMITTEE REPORT

Brad Beaty, Nominating Committee Chairman



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:



Bill Geubelle (incumbent) – *Member for 48 years*

Director for the past five years, with current service as the Board's Vice Chairman, Investment Committee Chairman, and Technology & Facilities Committee Chairman. Earned a BS in Chemistry from Wichita State University in 1969. Enjoyed a successful 43-year career at the Ponca City Refinery – starting with Conoco, then ConocoPhillips, before retiring in 2015 from Phillips 66.



Dr. Robert Howard (incumbent) – *Member for 30 years*

Director for the past twenty years, with current service as Board Chairman, Investment Committee member, and a Director for Cherokee Strip Insurance Agency. Prior service on every Board Committee and Executive position. Received a BS and Master's degree from the University of Oklahoma and a Doctorate from Oklahoma State University. Currently serves as the Small Business and Incubator Manager at Pioneer Technology Center in Ponca City, working with small business owners including new incubator startups. Served his country honorably in both the Army and National Guard during the Vietnam War. Previously worked for three corporations as Human Resources Director and Safety/Environmental Director.



Phillip Johnston (incumbent) – *Member for nine years*

Director for the past four years, with current service on the Board's Personnel Committee and Technology & Facilities Committee. Received a BS in Engineering from Oklahoma State University. Currently serves as the General Manager for Electric Utilities at Ponca City Energy. Along with wife, Sharon, has lived in Ponca City for the past 25 years and has eight grandchildren and four great-grandchildren.

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 30, 2020, 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
86th 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**
Patricia Doughty, Loan Processor
9. **Report of the
Scholarship Committee**
Dr. Jim Will, Chair
10. **Unfinished Business**
11. **New Business**
12. **Report of the
Nominating Committee**
Brad Beaty, Chair
13. **Board Elections**
Dr. Robert Howard
14. **Door Prizes**
Mark Love,
Director of Technology & Logistics
15. **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,
Nominating Committee

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

Dr. Jim Will
Board Director, Investment
Committee, Scholarship
Committee Chair

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

Brad Beaty
Board Director, Nominating
Committee Chair,
Scholarship Committee

Phillip Johnston
Board Director, Personnel
Committee, Technology
& Facilities Committee

Sherri Tapp
Board Director,
Personnel Committee
Chair, Investment
Committee, Technology
& Facilities Committee

Don Lockwood
Supervisory
Committee Chair

Jamie Ford
Supervisory Committee

Mike Connelly
Supervisory Committee

Fran Will
Supervisory Committee,
Associate Director,
Scholarship Committee

IMPORTANT INFORMATION

ABA Routing/Transit Number:
303185703

Phone:
(580) 718-4000

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: Fran Will, Associate Director; Dr. Jim Will, Director; Mike Trewitt, Director;
Sherri Tapp, Director; Phillip Johnston, Director; Brad Beaty, Director*

WWW.CHEROKEESTRIP.COM

PROSPECT BRANCH

(east)

1508 East Prospect | Ponca City, OK 74604

WAVERLY BRANCH

(west)

1508 West Hartford | Ponca City, OK 74601

