

# 2012

## Annual Report

Setting it  
right.



*Empowering you.*



**NCUA**  
National Credit Union Administration, a U.S. Government Agency

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**MICHIGAN**  
SCHOOLS & GOVERNMENT  
CREDIT UNION



# A Message From the President



At Michigan Schools and Government Credit Union, we strive to provide the best service to our members and to do everything we can to help them achieve their financial goals.

As you read through these pages, you'll see the numerous milestones we reached in 2012, perhaps the biggest being the opening of three branches. We relocated our Chesterfield branch and opened two new locations in Warren and Royal Oak, making it even more convenient for current and new members to do business with us.

Technologically, MSGCU had a great year. We updated our website with a fresh design for easy navigation and in November, we created the Financial Resource Center, where members have access to a variety of articles, podcasts, and other educational tools. We also updated equipment in all of our branches, making it easier and faster to perform your transactions. In 2013, we will launch Mobile Deposit, a secure and convenient way to deposit your checks with your smartphone or tablet.

Even with all the growth MSGCU has experienced, there is one thing that remains constant: the credit union philosophy of "People Helping People." True, MSGCU has great rates, wonderful products and services, and exceptional member service, but at the root of it all, our members are our top priority. If there is anything we can do to help you set it right with your finances, please do not hesitate to visit us online, stop in at one of our offices, or call us at 586.263.8800.

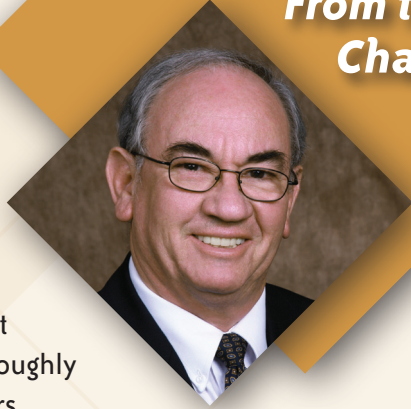
I want to express my most heartfelt thanks for your membership and we look forward to serving you and your loved ones for years to come.

Sincerely,

A handwritten signature in black ink that reads "Peter D. Gates". The signature is written in a cursive, flowing style.

Peter D. Gates  
President/CEO

## A Message From the Chairman



As Chairman of Michigan Schools and Government Credit Union's Board of Directors, I have never been more proud of the Credit Union's accomplishments—because they benefit the most important person there is...you, the member. The Board strives to keep the Credit Union financially sound, at the forefront of innovation, and thoroughly focused on the needs of our members.

Taking a cue from our successful Classroom Loan, we launched three new products in 2012 that lend a hand to segments of our membership. Our First Responder Loan, the College Degree Auto Financing Program, and our Fresh Start Checking definitely enable us to serve our members at a personal level. MSGCU even won an award for our Classroom Loan; we were presented with a first-place Louise Herring Philosophy-in-Action Member Service Award, which recognizes efforts to materially improve members' lives through special programs.

The Credit Union is committed to promoting financial education to our members, and those efforts earned us accolades in 2012; along with the Louise Herring Award mentioned above, the Michigan Credit Union League presented MSGCU with a first-place Desjardins Youth Financial Education Award and an honorable mention for the Desjardins Adult Financial Education Award. Our staff is thoroughly devoted to being the "go to" source for all of your questions about creating a brighter financial horizon, and that dedication shines through every day.

I would like to thank all of our employees and the Board of Directors for their efforts to help our members set their finances right. But, most of all, I would like to thank you for your assistance with building our Credit Union into the strong institution it is today.

Sincerely,

A handwritten signature in black ink that reads "Milo J. Perreault". The signature is fluid and cursive, written over a light-colored diamond-shaped background element.

Milo J. Perreault  
Board Chairman

# A Message From the Audit Committee



The primary responsibility of the Audit Committee is to ensure that the Credit Union is being managed soundly and that members' assets are being adequately safeguarded. The Audit Committee makes sure the Board of Directors and Michigan Schools and Government Credit Union management meet required financial reporting objectives and sufficient policies, practices, and procedures are established to protect members' assets.

The Audit Committee engaged the certified public accounting firm of Plante & Moran, PLLC, to perform an independent audit of the Credit Union's member accounts, operations, and financial statements for the year ending December 31, 2012. Any reported suggestions have been forwarded to the Board of Directors and management for their review and handling.

During 2012, the certified public accounting firms of Doeren Mayhew and Crowe Horwath LLP 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,

A handwritten signature in black ink that reads "Charles Thomas". The signature is written in a cursive, slightly slanted style.

Charles Thomas  
Audit Committee Chairperson

## 2012 Audit Committee

Charles Thomas, Chairperson ♦ Teresa DiMaria, Secretary  
William Cayen ♦ Richard Shoemaker ♦ Elizabeth Argiri

# 2012 Board of Directors



Milo Perreault  
Chairman



William Cayen  
Vice Chairman



Douglas Smith  
Director



Richard Maierle  
Secretary



Charles Thomas  
Director



James McCann  
Treasurer



Stephen Thomas  
Director



Edward Callaghan  
Director



Teresa DiMaria  
Member-At-Large



Richard Shoemaker  
Director



Elizabeth Argiri  
Member-At-Large

# 2012 Highlights



*MSGCU board members, management, and staff and local dignitaries attended our Royal Oak office Grand Opening celebration.*

At Michigan Schools and Government Credit Union, we are dedicated to helping our members reach their financial goals. We thank you for a successful 2012, which included the following accomplishments...

- ◆ Opened three new branches in Chesterfield, Warren, and Royal Oak.
- ◆ In conjunction with our “Salute a Teacher” program, we also created “Perk Up Your Park,” which awarded grants to spruce up local parks.
- ◆ Partnered with GreenPath Debt Solutions to offer financial counseling to our members.
- ◆ Updated the microsite for our Classroom Cash Program, which garnered nearly 28,000 votes and awarded more than \$36,000 in grants to local teachers.

◆ Introduced our 0% interest First Responder Loan for those in the fire, police, military, and medical fields.

◆ Updated our website with a refreshed look and launched the Financial Resource Center, which is constantly updated with articles and links about a variety of financial education topics.

Michigan Schools and Government Credit Union continues to value you and your membership. We look forward to assisting you with all of your financial needs in the coming year.

## ***We want to hear from you!***

You're not only a member...you're an owner of Michigan Schools and Government Credit Union! Let us know how we can improve our services or how we can help you set it right with your finances. Contact us today with your questions and comments.

- ◆ In person when you visit any of our 11 office locations.
- ◆ By phone when you call 586.263.8800 or 1.866.MSGCU4U.
- ◆ On Facebook, Twitter, LinkedIn, and Foursquare.
- ◆ Online at [msgcu.org](http://msgcu.org).

# 2012 Awards and Recognition

It's no secret that every year Michigan Schools and Government Credit Union receives high rankings in satisfaction during its independent member survey. In 2012, the Credit Union received a 97 percent satisfaction rating from its members. This is a testament to how we value and respect our members.

We also strive to give back to our members and the communities that we serve, and those efforts have been recognized many times by the Michigan Credit Union League.

Most recently, we were awarded first place for both the 2012 Louise Herring Award for our Classroom Funding Initiative and the 2012 Desjardins Youth Financial Education Award for our youth programs. We also earned an honorable mention for the 2012 Desjardins Adult Financial Education Award for our free educational workshops and financial counseling.

*The Classroom Cash Grant Program (classroomcash.org) was part of our Classroom Funding Initiative and one of the reasons we won the 2012 Louise Herring Award.*



The screenshot shows the Michigan Schools & Government Credit Union logo in the top left. To the right, a banner reads "Not an MSGCU Member? Get \$50 When You Join!". Below this is a navigation bar with links for "Winners", "About", "Media", "Join", and "Home". The main heading is "2012 Classroom Cash Grant Program". The text below the heading states: "Grant proposal winners have been selected! Thousands of people have voted for their favorite grant proposals—now see who won. Thank you to all who voted for your favorite submissions, and special thanks to the area teachers who participated in the 2012 Classroom Cash Grant Program." A video player shows a group of children working together. Below the video is a "View Winners" button. At the bottom, a small note says: "Not an MSGCU member? Now is a great time to join. Membership is open to anyone who is or was a student or..."

## **MSGCU Receives Gold Level Recognition**

We are proud to announce that 70 of our employees graduated from the Investor Educator in Your Workplace program and that MSGCU received a Gold Level of completion for this achievement. This program helped improve employees' investment knowledge and behaviors as they volunteered to participate in the online investment and financial education training program.

It is one of our primary focuses to keep our members informed on the ever-changing financial landscape, and we pride our staff on being the best resource for financial education.

# Building Member Relationships

Last year was another year of incredible growth for the Credit Union. In addition to opening three branches, we had more than 7,200 members find a new financial home with MSGCU. The fact that we continue to maintain a 97 percent member satisfaction rate and welcomed thousands into our Credit Union family speaks volumes about how we value and respect our members.

Michigan Schools and Government Credit Union thrives because of the members and communities that we serve. Knowing this, MSGCU strives to give back through a variety of initiatives, including...

- ◆ The Credit Union awarded nearly \$50,000 in scholarships to graduating high school seniors and adults continuing their education.
- ◆ Management employees volunteered more than 4,200 hours with more than 100 charitable organizations.

- ◆ MSGCU was an active sponsor or participant in nearly 100 community events.

- ◆ Our partnership with GreenPath Debt Solutions allowed us to help dozens of members with setting their financials on the right path.

- ◆ MSGCU granted more than \$36,000 to local classrooms to assist with funding classroom projects.

- ◆ Four blood drives were held, which collected more than 200 pints of blood.

- ◆ Employees hosted events and raised funds for charities such as Toys for Tots, Box Tops for Education, Phone Home, March of Dimes, and more.

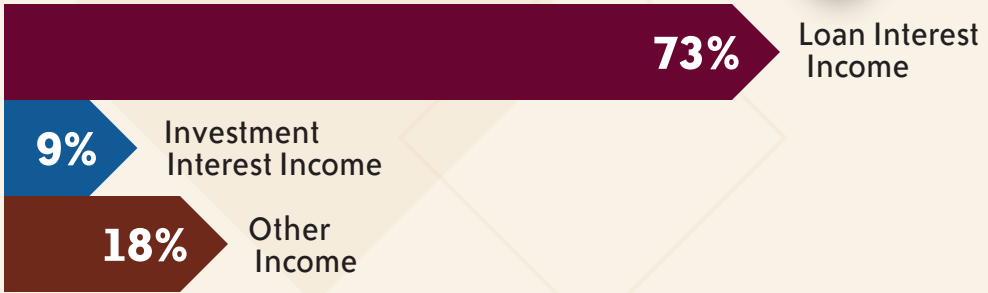
**“Last year... we had more than 7,200 members find a new financial home with MSGCU.”**



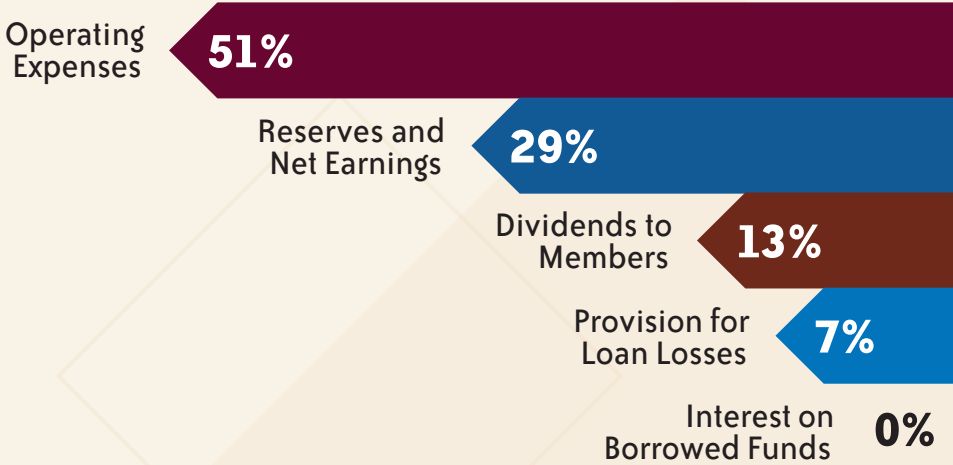
*Employees volunteered their time to man our booth and spread the word about MSGCU at the 2012 Woodward Dream Cruise.*



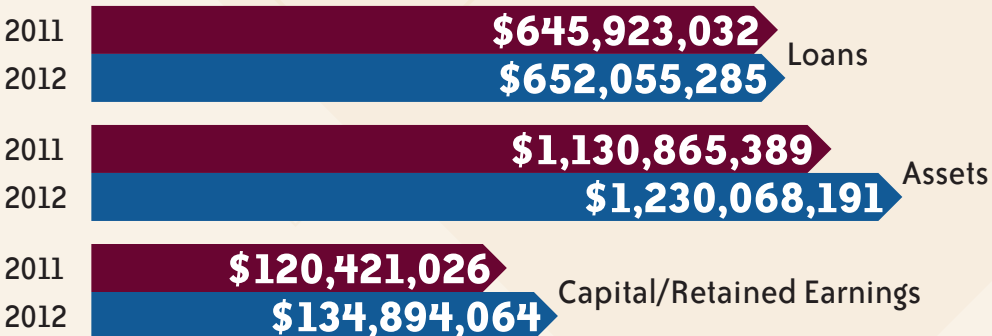
*Sources of Revenue*



*Uses of Revenue*

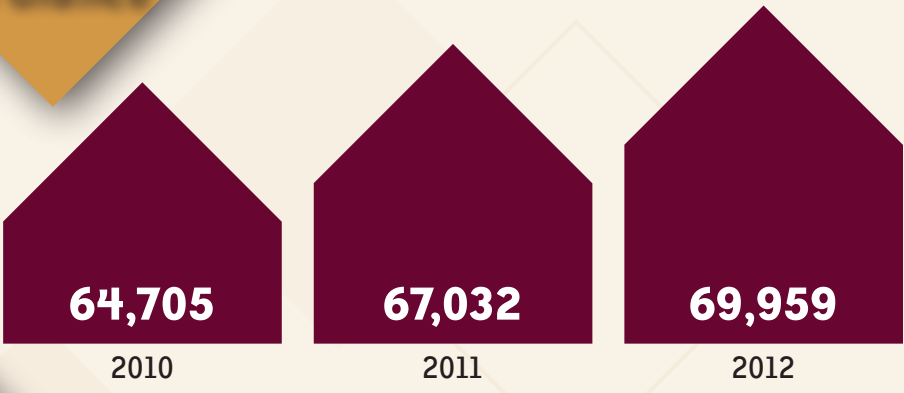


*Statistics*



# 2012 Year at a Glance

## Number of Members



# 2012 Balance Sheet

(as of December 31)

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash and Investments	\$529,326,261	\$438,905,292
Loans to Members	\$652,055,285	\$645,923,032
Land, Buildings, and Equipment	\$23,541,229	\$19,978,818
Other Assets	\$25,145,415	\$26,058,247
<b>Total Assets</b>	<b>\$1,230,068,191</b>	<b>\$1,130,865,389</b>
<b>Liabilities and Net Worth</b>		
Member Deposits	\$1,089,238,900	\$1,004,869,149
Other Liabilities	\$5,935,227	\$5,575,214
Retained Earnings	\$134,894,064	\$120,421,026
<b>Total Liabilities and Net Worth</b>	<b>\$1,230,068,191</b>	<b>\$1,130,865,389</b>

# 2012 Income Statement

(as of December 31)

	2012	2011
<b>Interest Income</b>		
Interest on Loans	\$36,729,212	\$38,536,089
Interest on Investments	\$4,603,998	\$4,381,654
<b>Total Interest Income</b>	<b>\$41,333,210</b>	<b>\$42,917,743</b>
<b>Cost of Funds</b>		
Interest and Dividends Expense	\$6,737,806	\$7,487,902
Interest on Borrowed Funds	—	—
<b>Total Cost of Funds</b>	<b>\$6,737,806</b>	<b>\$7,487,902</b>
Net Interest Income	\$34,595,404	\$35,429,841
Other Income & Gain/Loss on Sale of Assets	\$8,970,649	\$7,335,306
<b>Total Income</b>	<b>\$43,566,053</b>	<b>\$42,765,147</b>
<b>Operating Expenses</b>		
Salary and Benefits	\$12,993,616	\$10,933,155
Board and Staff Expenses	\$523,593	\$370,659
Office Occupancy	\$2,056,756	\$1,888,631
Office Operations	\$3,815,498	\$3,347,199
Promotions and Advertising	\$1,215,504	\$840,208
Loan Servicing	\$2,249,292	\$1,789,724
Professional & Outside Services	\$1,589,889	\$1,156,302
Miscellaneous Expenses	\$1,115,533	\$2,640,805
<b>Total Operating Expenses</b>	<b>\$25,559,681</b>	<b>\$22,966,683</b>
Net Income Before Provision for Loan Losses	\$18,006,372	\$19,798,464
Provision for Loan Losses	\$3,533,333	\$14,350,000
<b>Net Income</b>	<b>\$14,473,039</b>	<b>\$5,448,464</b>

# Michigan Schools and Government Credit Union Office Locations

## Main Office

40400 Garfield Road ♦ Clinton Township, MI 48038

## Chesterfield Office

34700 23 Mile Road ♦ Chesterfield, MI 48047

## Hall Road Office

45120 Market Place Boulevard ♦ Chesterfield, MI 48051

## Hayes Road Office

48945 Hayes Road ♦ Shelby Township, MI 48315

## Madison Heights Office

480 West 12 Mile Road ♦ Madison Heights, MI 48071

## Royal Oak Office

31805 Woodward Avenue ♦ Royal Oak, MI 48073

## St. Clair Shores Office

24515 Little Mack Avenue ♦ St. Clair Shores, MI 48080

## Shelby Township Office

8770 23 Mile Road ♦ Shelby Township, MI 48316

## Sterling Heights Office

2356 Metropolitan Parkway ♦ Sterling Heights, MI 48310

## Troy Office

4555 Investment Drive ♦ Troy, MI 48098

## Warren Office

13602 East 14 Mile Road ♦ Warren, MI 48088