

FRONT & CENTER

CU* ANSWERS 2011-2012 REPORT TO OWNERS

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FOSTER THE PRINCIPLES

When my peers ask me if there is really any difference between CU*Answers and one of its competitors, I never fail to say, “yes.” CU*Answers can guarantee the same difference that any cooperative can guarantee. It’s led by its customer owners. More importantly, our cooperative is crafted by a Board that specializes in cooperatives as part of their careers and day-to-day lives. Our Board is made up of seven credit union CEOs who walk the talk.

As the International Year of Cooperatives, 2012 presented a unique opportunity for our Board. We had the chance to focus on the Seven Principles of Cooperatives and how they relate to CU*Answers and the entire cuasterisk.com network. Our Board hopes your credit union took the chance to do the same thing, and that you are excited about starting on a path to improve your own cooperative health.

Our CUSO continues to pick up speed and build on a long-standing heritage of cooperative leadership from our customer owners. Our professional teams are more than just technical and general business professionals. Many of them come directly from careers within credit unions. Our team leaders take pride in putting the words “credit union” into every job description. Our programmers are credit union programmers. Our CUSO leaders are credit union leaders. So in this year of celebrating the cooperative business design, it is easy to tell my peers and the entire marketplace that CU*Answers guarantees the difference that comes from a strong cooperative network and a respect for all that cooperatives can and should do for credit union members.

I hope you enjoy this report.

A handwritten signature in black ink that reads "Chris Butler". The signature is fluid and cursive, with the first name "Chris" and last name "Butler" clearly distinguishable.

CHRIS BUTLER, CHAIRMAN OF THE BOARD

Board Member since 2001



In the 1840s, one of the very first cooperatives established a set of seven principles that today form the business model for co-ops everywhere. These ideals inspire customer-owner business leaders to build great organizations.

We keep these principles front & center in every decision we make, every policy we establish, and every procedure we follow. As cooperatives across the country have found, these principles are key to becoming a more successful business. As credit unions have found, these principles can rally the everyday consumer to make a difference, through working hand in hand with their peers.



AS A COOPERATIVE, CU*ANSWERS WALKS THE TALK. WATCH FOR THIS SYMBOL TO SEE EXAMPLES OF THE MANY WAYS WE PUT COOPERATIVE PRINCIPLES INTO ACTION FOR THE BENEFIT OF OUR OWNERS AND CLIENTS.

SEVEN COOPERATIVE PRINCIPLES

1. Voluntary and Open Membership

While credit unions have defined market demographics for their field of membership, the cooperative principle of Voluntary and Open Membership speaks to the idea that all qualified consumers are welcomed, embraced, and valued. You own by simply participating. Your challenges mirror those of your peers and your life dreams are welcome here. By pooling the challenges of all members, we can innovate together, building CUSO solutions that help everyone succeed.

2. Democratic Member Control

Credit union members enjoy equal voting rights, and the men and women who serve as elected representatives are accountable to the membership. Likewise, CU*Answers leaders are accountable to all of the CUSO's customer owners. The power of ownership is at its strongest when owners experience the democratic process and understand that they have a voice in the governance and direction of the organization they own.

3. Member Economic Participation

Via their elected representatives, members have control over how the cooperative's capital is used – for developing the cooperative, paying dividends, or supporting any other activities agreed upon by the members. The power of that ownership is amplified when the member owner is paid in dollar and cents.

4. Autonomy and Independence

Cooperatives value the autonomy and independence of their communities and the rights of members to be individuals, unique within the cooperative. The common bond is at its strongest when its members see diversity as strength. “We” are our community and our community values individuals and their dreams.

5. Education, Training and Information

The power of ownership is the ability to gain insight into how cooperative businesses work, so that members can become better buyers and better owners of cooperative services. Cooperatives – credit unions – educate members to see the value from both sides of the table. Education is a foundation, and life learning for all participants of the cooperative is the goal. Cooperatives educate their members, elected representatives, managers, and employees so that everyone can contribute to making the cooperative stronger. They inform the public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

6. Cooperation Among Cooperatives

Cooperatives can serve their member owners best by working together – locally, regionally, and nationally – and by encouraging all participants to default to collaborative responses when approaching business problems.

7. Concern for Community

Communities are not just defined by geography! Today “community” is used to represent a common mindset, affiliation, or any other way in which people identify with each other. This principle speaks to a respect for peers who share common goals, challenges, or opportunities, and who choose to work together toward everyone's success. Cooperatives wear their community pride for everyone to see!



1.

VOLUNTARY AND OPEN MEMBERSHIP

“Why do we hope members choose credit unions? Because there’s real value in belonging. Here at CU*Answers, we want every credit union to see the same value in belonging to our community. Not because every credit union is the same or agrees with us, but because every point of view is important to making it possible for everyone to thrive.” - DAVID WRIGHT



Of Course!

The heart of a co-op is, of course, cooperation. On every level. CU*Answers “Of Course!” program lets credit union CEOs reach out to their peer members. This private online community for CU*BASE enables credit union CEOs to share working practices, learn from others’ experiences, find solutions, enrich their knowledge, and increase their Cooperative Score.

Learn more: <http://ofcourse.cuanswers.com>



DAVID WRIGHT, DIRECTOR

CEO, Services Center Federal Credit Union, Yankton, South Dakota
Board Member since October 2001



**JEFF JORGENSEN, DIRECTOR AND
2012 NOMINATING COMMITTEE CHAIRMAN**

CEO, Sioux Empire Federal Credit Union, Sioux Falls, South Dakota
Board Member since December 2009

2.

DEMOCRATIC MEMBER CONTROL

“As a credit union CEO, I do everything I can to make sure my members know they do have a voice in how the credit union evolves. As a leader in the CU*Answers CUSO, I see the same commitment to our owners through the spirit of our annual election process. We want people to run for the Board – even if they are taking our seat. We want participation and lively debate. We want the power of ownership to be something real for every credit union.” - JEFF JORGENSEN



BOARD ELECTION SERVICES

How do you get your online members to experience something as uniquely cooperative as the power of ownership? How about having them vote while they're checking their balances online? CU*Answers Board Election Services can help you increase your Cooperative Score by including all members in the power of ownership.

Learn more: <http://marketing.cuanswers.com/election-management-service/>

3.

MEMBER ECONOMIC PARTICIPATION

“When it comes to economic participation, you have to respect the intelligence of the customer owner. It has to be win-win: cooperative owners must share in the proceeds of the business they own. As both a credit union CEO and a CU*Answers Director, I can tell you this is a constant focus of the CU*Answers Board. We get it. After all, we all enjoy lower prices and dividend checks.” - SCOTT MCFARLAND



CU*Answers' CollabRebate reinforces the value of economic participation by rewarding credit unions who participate in collaborative activities with other credit unions. Getting involved with the network not only ups your Cooperative Score, it earns you points from CU*Answers, which you can redeem for cash deductions from your monthly invoice. CU*Answers will even pay for new ideas about how our members can earn rebates in the future.

Learn more: <http://score.cuanswers.com/>



SCOTT MCFARLAND, VICE CHAIR

CEO, Honor Credit Union, Berrien Springs, Michigan
Board Member since August 2009



VICKIE SCHMITZER, SECRETARY & TREASURER
CEO, Frankenmuth Credit Union, Frankenmuth, Michigan
Board Member since October 2007

4.

AUTONOMY AND INDEPENDENCE

“I love to encourage innovation and new ideas – especially in my community. The key to innovation is the freedom of each individual to explore and experiment. By encouraging individuality and innovation, credit unions help make dreams come true. And that’s good for everyone. The common bond is strongest when we see diversity as strength.” - VICKIE SCHMITZER



INVESTMENT GRANTS

The CU*Answers Innovator Investment & Grant Program celebrates independence and autonomy by rewarding individual innovation and thinking. This program fosters innovation and creates opportunities for our credit unions, their staff, and their members. Cooperatives everywhere are investing in the hopes and dreams of their participants.

Learn more: <http://score.cuanswers.com/iigp/>

5.

EDUCATION, TRAINING AND INFORMATION

“I encourage my members to learn about what goes on behind the curtain in order to gain a perspective they can’t get from other types of businesses. After all, they own the place. At CU*Answers, we not only have an open book, we work hard to make sure people read it.” - DEAN WILSON



LEARN FROM A PEER

Our Learn From a Peer tool kits give credit unions insight into the big picture. “Do I need to change the way I’m acting so my credit union can succeed?” “Do we need to change the solution so the network can succeed?” “Do we need to change business practices so the CUSO can succeed?” Learn From a Peer is the ultimate open book for sharing what customer-owners are doing, thinking, and dreaming about.

Learn more: <http://www.cuanswers.com/doc/gold/gold.htm> (search “Learn Peer”)



**DEAN WILSON, DIRECTOR AND
BOARD HANDBOOK COMMITTEE CHAIR**
CEO, FOCUS Credit Union, Wauwatosa, Wisconsin
Board Member since January 2008



JODY KARNES, CHIEF INFORMATION OFFICER

6.

COOPERATION AMONG COOPERATIVES

“As a technical professional, I’ve grown up around network concepts. They make perfect sense when you are trying to make one good idea work a million times. While at CU* Answers, I’ve learned a lot about cooperatives. It makes sense for cuasterisk.com to network business cooperatives, to make things work for millions of members.” - JODY KARNES



cuasterisk.com

cuasterisk.com is the ultimate walk-the-talk project for proving that CU*Answers wants to work with other cooperatives. The cuasterisk.com community is made up of CUSOs and their credit union owners. These professionals believe that working together is the best way to leverage their strengths and give their customer-owners a diverse set of solutions for getting things done. cuasterisk.com combines both geographical communities and diverse talents to build a network response to everything credit union.

Learn more: <http://cuasterisk.com/>

7.

CONCERN FOR COMMUNITY

“Concern for community cannot just be a marketing slogan to a credit union CEO. You have to feel it. And then you have to build a business that actually communicates that sincere sentiment in everything you do. That’s what the CU*Answers Board tries to get every participant in our cooperative to experience. We care about the credit union industry and what it needs.” - DON MILLS



FINANCIAL LITERACY SERIES FOR CREDIT UNION BOARD DIRECTORS

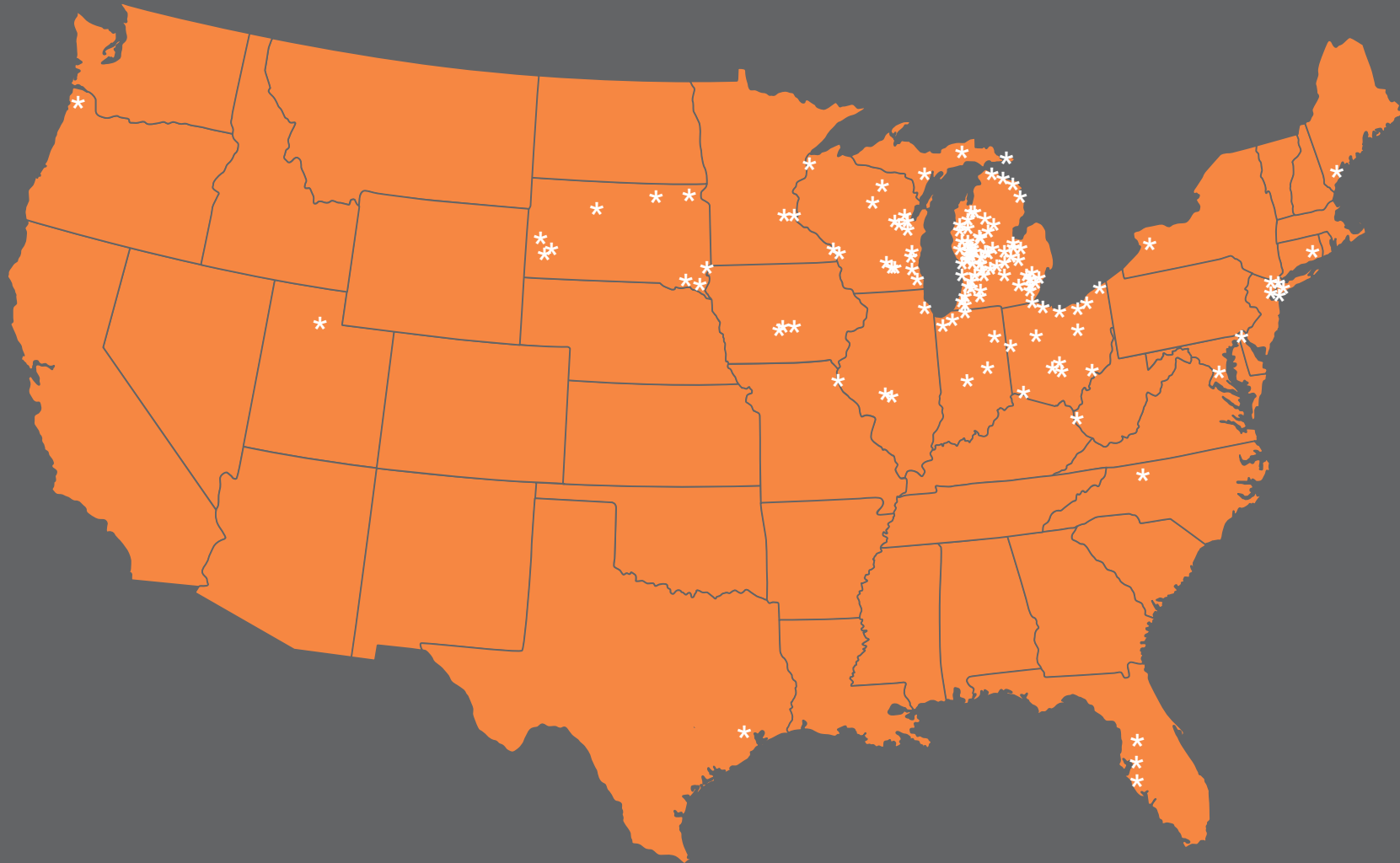
Volunteers are the lifeblood of the credit union community. When they need something, CU*Answers acts. For example, our Financial Literacy Series was designed to meet the needs of credit union executives who are responsible for guaranteeing that their Board members are an industry asset and a competitive difference.

Learn more: <http://finlit.cuanswers.com/>



DON MILLS, DIRECTOR

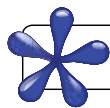
CEO, Alpena Alcona Area Credit Union, Alpena, Michigan
Board Member since June 2010



CU*ANSWERS SERVES 161 CREDIT UNIONS IN 19 STATES

The cuasterisk.com network footprint encompasses six million members from coast to coast who benefit every day from our products and services.

CU*ANSWERS HAS 106 OWNERS CU*ANSWERS HAS 191 EMPLOYEES
READY TO BE ON YOUR TEAM CU*BASE ONLINE HELP HAS OVER
2,700 TOPICS – INCLUDING “SHOW ME THE STEPS” CU*ANSWERS
WEB SERVICES HOSTS 163 SITES REPRESENTING 392 DOMAINS
AND 870 EMAIL ACCOUNTS IT’S ME 247 ONLINE BANKING AVERAGES
115,000 VISITORS EVERY DAY CU*ANSWERS SENDS OVER 925,000 EMAIL
MESSAGES TO MEMBERS PER MONTH CU*ANSWERS SERVES OVER
1.3 MILLION MEMBERS CU*ANSWERS HOSTED MORE THAN 550 WEB
CONFERENCES LAST YEAR



Proud Founder of the
cuasterisk.com Network

View this map online at cuanswers.com/map

CU*ANSWERS
A CREDIT UNION SERVICE ORGANIZATION

“We have a great deal to be proud of in 2012. While the financial report for many around the world has been bleak, our members have reported positive growth in almost every area, including total assets, revenues, stockholder equity, and membership. Congratulations!”

- BOB FRIZZLE, CHIEF FINANCIAL OFFICER



FINANCIAL HIGHLIGHTS

FINANCIAL INFORMATION

	2012	2011	% Change	2000	Average Annual Growth %
Balance Sheet					
Total Assets	22,957,825	18,936,083	21.2%	5,814,371	12.1%
Total Liabilities	14,746,326	12,804,240	15.2%	3,705,739	12.2%
Stockholder's Equity	8,211,499	6,131,843	33.9%	2,108,632	12.0%
Income Statement					
Revenues	36,349,782	33,396,557	8.8%	9,026,928	12.3%
Income Before Taxes & Patronage Dividend	2,919,184	2,629,989	11.0%	333,728	19.8%
Patronage Dividends	1,700,000	1,400,000	21.4%	225,000	18.4%

OTHER FINANCIAL INFORMATION

Stockholders Equity

Common Stock - Class A	212,000	190,000	11.6%	98,000	6.6%
Common Stock - Class B	-	-		503,040	
Additional Paid In Capital	6,046,150	4,352,382	38.9%	939,626	16.8%
Retained Earnings	1,953,349	1,589,461	22.9%	567,966	10.8%
Total	8,211,499	6,131,843	33.9%	2,108,632	12.0%

Credit Union Relationships

CUSO Owners	106	95	11.6%	49	6.6%
Online Members Processed	1,195,319	1,093,254	9.3%	394,066	9.7%
Number of Credit Unions	148	142	4.2%	61	7.7%

Self Processing

Members Processed	193,870	184,344	5.2%	149,816	1.8%
Number of Credit Unions	11	11	0.0%	12	-1.5%
Item Processing Credit Unions	3	3	0.0%	42	-19.7%
Total Credit Union Relationships	162	156	3.8%	115	2.8%

Contact CU*Answers for the Report of Independent Auditors and complete Audited Financial Statements.

THE POWER OF OWNERSHIP

Over the years, I have many times communicated my faith in Cooperatives as being a design that inspires more from business people as they go about their daily lives and build their careers. From the moment you walk into our lobby, it hits you right in the face: there is power in ownership.

But cooperative ownership is not about selfish control. It is about a community of peers designing and building new futures together. In this International Year of Cooperatives, the phrase that made it easy for me to see the power of ownership was, “We need it, we’ll create it, we’ll use it, and we’ll own it.”

The “we” in this case truly does include every individual in our network, from a first-year credit union employee just learning the business to a member working with their accounts online, from a CUSO network technician connecting credit union offices to a credit union CEO pushing for a new idea. It’s easy to see the power when our peers act and truly wish to be seen as peers. These peers see the need. They have the power to create something. They value it as they use it. And they take pride in their shared ownership of it.

I learned about the power of ownership as a credit union member. It floored me from the very beginning that people from any walk of life could get together and simply empower themselves to build solutions and own them. To become something valuable by simply willing it to happen. I’m not sure I put the words “cooperative” and “credit union” together back in those early days, but through my time at this CUSO, I’ve come to trust that the cooperative business design holds the key to unlocking the potential of all who participate in this network.

So as you evaluate this business report I hope you will do so with an eye toward understanding our cooperative health and how we respect the need to foster that spark. For if you look only at the classic indicators of a business’ prowess – our income, our financial returns, our assets and resources – you might miss what truly guarantees our difference and your future as a partner in this network: You are part of the “we.”

A handwritten signature in black ink, appearing to read 'Randy Karnes', with a stylized flourish at the end.

RANDY KARNES, CHIEF EXECUTIVE OFFICER



EXECUTIVE COUNCIL

Jody Karnes, Bob Frizzle, Randy Karnes, Geoff Johnson and Scott Page



LEADERSHIP TEAM

EXECUTIVE COUNCIL

Randy Karnes
CEO since 1994

Bob Frizzle
CFO since 1997

Jody Karnes
CIO since 1994

Scott Page
EVP since 1989

Geoff Johnson
EVP since 2005

EXECUTIVE MANAGEMENT TEAM

Jack Carpenter
VP Production since 1996

Karen Chesbro
VP Item Processing since 1978

Barb Cooper
VP Professional Services since 1994

David Damstra
VP Professional Services since 2005

Martha Ford
VP Delivery Services since 2000

Melinda Haehnel
VP Marketing and Public Relations since 2000

PJ Haehnel
VP Administration since 1974

Brian Maurer
VP Software Development since 2012

Dawn Moore
VP Writing Team/Product Design since 1995

Matt Sawtell
AVP Managed Technology Services since 2002

Jim Vilker, NCCO
VP Professional Services since 2006

Laura Welch-Vilker
VP Client Services and Education since 1994

Dave Wordhouse
VP Network Technologies since 2002

CUASTERISK.COM PARTNERS

Scott Collins
President, Xtend, Inc. since 2003

Greg Smith
President, CU*NorthWest since 2005

Leo Vaulin
President, CU*South since 1990

Bret Weekes
President, eDOC Innovations since 1998

CU*ANSWERS

A CREDIT UNION SERVICE ORGANIZATION

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