

Auburn University Federal Credit Union



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

56th Year

2016
Annual Report



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

Established
1960

BOARD OF DIRECTORS

As of December 31, 2016

Thomas A. McCaskey, Chairman/Investment Committee Chairman/
Personnel Committee Chairman/ Strategic Planning Committee Chairman/
Executive Committee Chairman/Asset-Liability Management Committee Chairman/
Building Committee Chairman

Deacue Fields, Vice Chairman /Nominating Committee Chairman/
Investment Committee/ Strategic Planning Committee/Executive Committee

Bob Gehling, Secretary/Strategic Planning Committee/
Executive Committee/Building Committee/ED & IPS Committee Chairman

Curtis Jolly, Assistant Secretary/Membership Committee Chairman/
Strategic Planning Committee/Executive Committee

Henry H. Armstrong, Treasurer/CEO/Strategic Planning Committee/
Executive Committee/Asset-Liability Management Committee/Information/
Member Security Committee

Duane Brandon, Investment Committee/Asset-Liability Management Committee/
Information/Member Security Committee Chairman

Maryanne Douglass, Education Committee Chair/
Member Money Management Committee Chair/Legislative Committee, District 7

Floyd M. Woods, Nominating Committee/Delinquent Loans Committee Chairman

Dennis Veronese, Personnel Committee/Nominating Committee

PENSION PLAN TRUSTEES

Charles Edmonds, III

Henry H. Armstrong

Fred R. Bobo

SUPERVISORY COMMITTEE

Jennifer Mueller, Chair

Charles Edmonds, Vice Chair

Nancy M. Bernard, Secretary

Patricia A. Harris

Jessica Hemard

CREDIT UNION STAFF

Henry H. Armstrong, President & CEO

Roger E. Royal, Vice President for Loans NMLS # 682353

Sharon Nichols, Assistant Vice President for Member Services

David Smith, Assistant Vice President for Technology & Accounting

Janice Finley, Branch Manager NMLS # 682356

Walton Vaughan, Loan Officer II NMLS # 682354

Jennifer Anderson, Loan Officer I NMLS # 682355

David Cleiland, Network Administrator

Doris Dill, Collections Manager

Sincera Smith, Member Service Manager

Alex Sumrall, Assistant Member Service Manager

Willie Mae Lilly, Lead Member Service Representative

Chad Peacock, Lead Member Service Representative

Linda Nelson, Administrative Assistant for Operations

Austin MEEK, Administrative Assistant to the President and CEO

Natalei Zappala, Loan Assistant

Dominica Jones, Call Center/Collections Assistant

Wendy Davis, Call Center Representative

Chelsea McMurray, Receptionist

Matt Acker, Member Service Representative

Andrea Ahmad, Member Service Representative

Paula Lewis, Member Service Representative

Brandon McCurdy, Member Service Representative

Hannah Moore, Member Service Representative

Meaghan Wood, Member Service Representative

Charlotte McAlister, Member Service Representative

Sharron Dunn, Member Service Representative

Ann Hovey, Part-Time Daily Data Auditor

Suzanne Roberson, Part-Time Marketing Coordinator

Alisha Daniels, Part-Time Member Service Representative

Monty Greene, Part-Time Member Service Representative

Marcus Gulatte, Part-Time Member Service Representative

Trent Nobles, Part-Time Member Service Representative

Nicole Oswald, Part-Time Member Service Representative

Wakenia Spinks, Part-Time Member Service Representative

Amber Steensma, Part-Time Member Service Representative

Xavier Sullins, Part-Time Member Service Representative

ANNUAL REPORT OF THE PRESIDENT & CEO

The year 2016 again saw gains in the financial position of the Auburn University Federal Credit Union (AUFUCU). We continued to grow in all areas. Our assets ended the year at \$173,348,963.00. This represented 4.8% growth in assets. This growth allows the credit union to continue to offer the best services and technology to you, our members.

Also in 2016, deposits grew 5.5%, to \$154,373,321.19 and membership grew 1% to reach 20,197. Membership growth will continue to slow down in future years, as we make an effort to get all of our members to use the credit union as their primary financial institution. Currently, we have many members that don't use the credit union at all and keep just a small amount of money in their share account. This is costly to the credit union to process statements for the members that are not using our services; therefore, we will encourage them to use our other financial services. Loans grew \$1,052,051.56 or 1.9%, to reach \$57,172,526.90. This increase is in fixed rate mortgage loans. We need to improve our diversity of loans instead of being dependent on one type of loan for growth. We continue to work hard to improve our lending numbers and standards.

Our equity grew 2.8%, to exceed \$19.2 million or 11.08% of assets. Operating expenses decreased 3.8% to reach \$4,401,491.64, which reflects the growth in the credit union, and decreased costs associated with bad loans.

Our branch at 1448 N. College St. is performing well. We welcomed 282 new members to the branch and opened 265 new checking accounts in 2016 at the branch. This brings our totals to 1,392 member accounts and 504 checking accounts at the branch. The deposits total \$4,766,879.43 and the loans outstanding are \$1,899,091.58. We are pleased with these numbers, but certainly would like to see them increase at a faster pace in 2017.

This successful year also resulted in two benefits to our members. The first was a return to members of 1% of the interest paid on all loans in good standing not including VISA. This 1% loan interest refund resulted in \$25,952.69 of interest being returned to the members. The second benefit was a .10% bonus dividend being declared by the Board of Directors in the fourth quarter, resulting in

an additional \$25,976.74 in dividends paid to members above the .40% dividend paid in the fourth quarter. The total of these two Board actions resulted in an additional \$51,929.43 being returned to members. We are pleased that we could continue to increase our equity position while providing our members with these additional benefits.

Charged off loans decreased in 2016, as net charge-offs totaled \$265,292.24, or 0.46% of loans. Delinquency also decreased to .84%. These are good trends and bring us back to appropriate levels for both charge-offs and delinquency. We continue to look at ways to better underwrite our loans as we evaluate our policies and procedures.

The credit union staff continues to provide exemplary service to you, our members. In the last few years many things have changed at the credit union, but the one constant is our staff's commitment to providing you the best service possible. We continue to strive to improve our level of service to you and you can help us by letting us know when we succeed or fail.

One of the many things that make the credit union different from other financial institutions is the leadership provided by our volunteers. We have volunteers that give many hours of their time to serve on the Board, on various Board committees and as Pension Plan Trustees. This volunteer service provides leadership and direction to the credit union. And our success is due in large part to their efforts.

I also want to thank our members for the vital confidence that you place in the credit union each day by using our products and services. We will continue to meet your financial needs as we move into the year 2017. I look forward to another exciting year and in continuing the credit union's member-owned cooperative spirit.

Henry H. Armstrong, President & CEO

ANNUAL REPORT OF THE SUPERVISORY COMMITTEE

The National Credit Union Administration (NCUA) requires every federally-chartered credit union to have a Board-appointed Supervisory Committee. Following the 2016 Annual Meeting, the Board appointed Nancy Bernard, Charles Edmonds, Patricia Harris, Jessica Hemard, and Jennifer Mueller-Phillips to the AUFUCU Supervisory Committee. NCUA also requires that the Supervisory Committee meet within ten days following the Annual Meeting to elect officers. The committee elected Jennifer Mueller-Phillips (Chair), Charles Edmonds (Vice-Chair), and Nancy Bernard (Secretary).

On May 5, 2016, auditors from Machen McChesney (MM), discussed with the Supervisory Committee results of the financial statement audit for the year ended December 31, 2015. The audit includes the credit union's related statements of income, changes in members' equity, cash flows and related notes to the financial statements. Referred to as an "opinion audit," its purpose is to determine whether the financial statements of AUFUCU present fairly in all material respects the financial position of AUFUCU, and are presented in accordance with generally accepted accounting principles. AUFUCU received a favorable (or, "clean") opinion from MM.

In addition to the financial statement audit discussed above, MM reviews AUFUCU's compliance with Bank Secrecy Act/Anti-Money Laundering and Automated Clearing House procedures. MM also audits employee and official accounts on an annual basis. At the August 16, 2016, committee meeting MM reviewed and discussed findings from these reviews. There were no significant issues to be addressed by AUFUCU.

In November, the NCUA examined our credit union operations and financial reports, including the most recent reports from MM. NCUA completes a risk-focused examination covering major risk and regulatory compliance areas within the credit union. On January 19, 2017, Chairman Armstrong reviewed the NCUA Examination Report with the committee. Several improvements in AUFUCU policies and procedures resulted from the examination.

In 2016, the Supervisory Committee has continued its procedure of having at least one committee member attend and observe the working of the Board of Directors and the meetings of various Board committees, including the nominating, delinquent loans, and personnel committees as they go about these critical operations of AUFCU. Other committee procedures include monitoring and discussing reports of AUFCU's part-time daily auditor, who reviews compliance with numerous AUFCU policies and procedures; reviewing activity in dormant member accounts for suspicious activity; and reviewing AUFCU's bank reconciliations. The Supervisory Committee remains active and diligent and continually strives to achieve its mission within AUFCU.

On behalf of the Supervisory Committee

Jennifer Mueller-Phillips, Chair

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Auburn University Federal Credit Union submits to the credit union members the following annual report for the year ending December 31, 2016. The credit union board, the volunteer committee members, the credit union management and staff strive to continually enhance the operational efficiency and to improve the quality of service to our members. At the end of 2016 assets increased 4.8% to reach \$173 million. Return on assets increased 22.1%, net income increased 7.1% and operating expenses decreased 3.8%. Membership in 2016 increased 1.0% to reach a total membership of 20,197.

Member deposits, including certificates of deposit, shares and checking, increased in monetary value by 5.5%. Money not loaned out to members was invested in government-backed securities. Investments in 2016 increased 7.3% and accounted for 58.6% of the credit union's assets. The credit union's earned income after expenses and required contingency reserves is referred to as net worth. In 2016 net worth increased 2.8% over 2015, and represented 11.1% of assets. The loan portfolio increased 1.8% due primarily to an uptick in home mortgage loans. The fiscal growth of the credit union in 2016 was achieved by the responsible and dedicated service of the credit union management, the staff, and to the credit union members who patronage the services of the credit union. In 2016, as well as in previous years, the credit union continued to share its financial success with its members. At the end of the 4th quarter of 2016 the credit union paid a bonus dividend on share accounts and a loan interest refund to its members. The bonus dividend and loan interest refund amounted to \$51,929.43 being returned to the members.

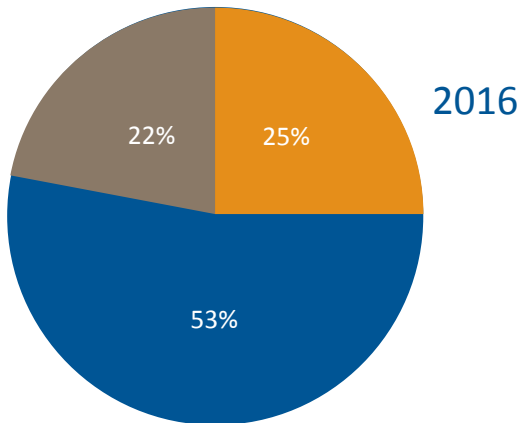
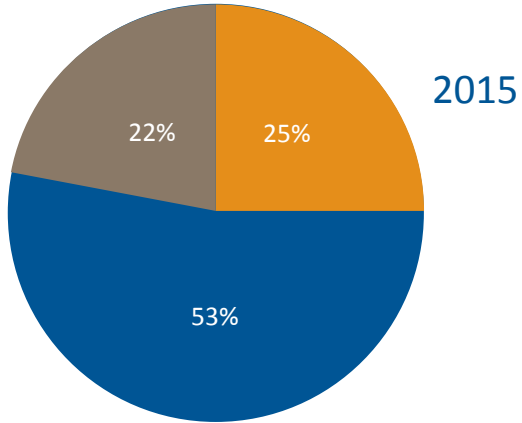
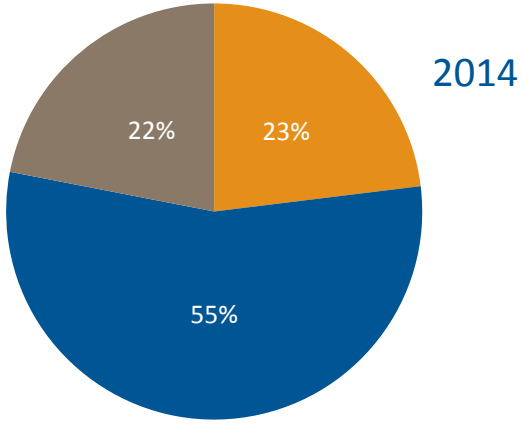
While there is still uncertainty in the financial market place, the credit union board of directors and its committees meet regularly to review and develop strategies to address the challenges of future financial markets.

Our credit union has steadily grown in membership and in member deposits which show the confidence and satisfaction that our members have in our credit union. The success of the credit union is due in large part to the cooperative effort of the credit union's staff who service

the financial needs of the membership on a daily basis. The management and staff adhere to the credit union's philosophy of supporting its membership with courteous, efficient service, and providing sound money management opportunities. The achievements and success of the Auburn University Federal Credit Union are attributed also to the many volunteers who serve on committees and represent the interest of the membership. The Auburn University Federal Credit Union Board extends a special thank you to all the members who support the programs and use the services of the credit union. All of you have contributed to the success of our credit union, and with your continued support and loyal patronage, our credit union will continue to be a sound, progressive financial institution.

Thomas A. McCaskey
Chairman of the Board
Auburn University Federal Credit Union

OPERATING INCOME



- Investments
- Loans
- Other

Fig. 1

Financial Information

STATEMENT OF CONDITION

DECEMBER 31, 2016

ASSETS

Cash.....	\$	2,791,943
Loans to Members.....		57,172,527
Less: Allowance for Loan Losses		(529,164)
U.S. Government Obligations.....		0
Federal Agency Securities.....		76,402,544
Other Deposits		23,653,654
Fixed Assets: Building & Land Improvement		8,176,973
Furniture, Fixtures & Equipment.....		3,769,610
NCUSIF (Share Insurance Fund Deposit)		1,458,498
Other		452,378
TOTAL ASSETS.....		\$173,348,963

LIABILITIES & EQUITY

Accounts and Taxes Payable.....	\$	1,116,385
Dividends Payable		8,710
Member Deposits: Shares 67.9%		104,882,226
Checking 9.9%		15,286,057
Certificates 22.2%		34,205,038
Regular Reserve		1,263,033
Undivided Earnings		17,948,904
Accumulated Unrealized Gains on AFS Securities		(494,765)
Pension Plan Prior Svc Cost		(866,625)
	\$	173,348,963

DISTRIBUTION OF OPERATING & OTHER INCOME

(FOR ENTIRE YEAR 2016)

OPERATING INCOME.....	\$	5,680,314
NCUSIF Charges	\$	0
Salaries & Benefits.....		1,660,534
Other Expenses		2,740,958
Reserves		0
Undivided Earnings		1,278,822
Dividends		783,825

Equity/Net Worth \$19,211,93711.08%

STATISTICAL REPORT	2012	2013	2014	2015	2016
Number of Members	18,722	19,482	19,787	19,999	20,197
Average Share Balance	\$4,241	\$4,525	\$4,707	\$4,909	\$5,193
Number of Loans	7,435	6,923	6,450	5,868	5,811
Average Loan	\$8,089	\$8,261	\$8,584	\$9,564	\$9,839
Number of Certificates	2,026	1,889	1,758	1,688	1,620
Average Certificate	\$18,576	\$19,982	\$19,890	\$20,353	\$21,114

**STATEMENT OF INCOME
AND EXPENSES
DECEMBER 31, 2016**

INCOME

Interest on Loans	3,037,507\$
Investment Income	1,411,701
Other Income	1,231,106
TOTAL	\$ 5,680,314

EXPENSES

Salaries	\$ 1,288,971
Retirement	50,898
Social Security	89,896
Group Insurance	214,961
State Unemployment	2,087
Federal Unemployment	1,721
Other Employee Benefits	12,000
Borrower's Insurance	0
Life Savings Insurance	44,130
Surety Bond	27,447
NCUA Operating Fee	29,871
Cost of Office Space	358,261
Utilities	52,862
Interest on Borrowed Money	0
Stationary & Supplies	242,831
Education/Promotions	46,452
Furniture, Fixtures & Equipment	159,417
Insurance	47,035
Loan Servicing	157,592
Communications	153,752
Cash Over/Short	1,746
Bank Service Charges	371,708
Supervisory Committee	73,064
Annual Meeting	15,803
Legal & Appraisal	81,806
EDP Programming & Consulting	394,852
Maintenance & Repair	29,065
Travel & Education	14,988
Provision for Loan Losses	242,000
Miscellaneous General	161,374
Association Dues - NAFCU, NACUSAC	34,901
TOTAL	\$ 4,401,492

Dividends	783,825
Gain Sale of Investments	28,468
NCUSIF Premium Charge	0
NET INCOME	\$ <u>523,465</u>

INVESTMENTS - LOANS - ASSETS EQUITY - DEPOSITS

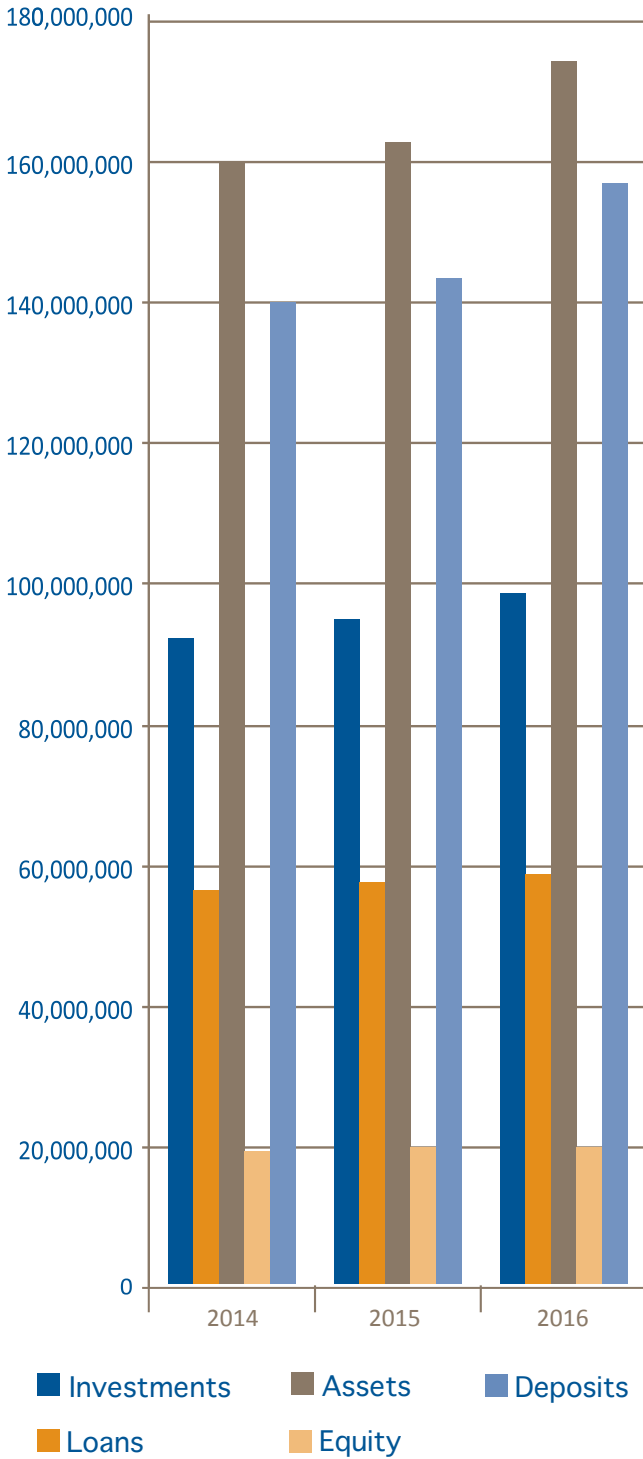
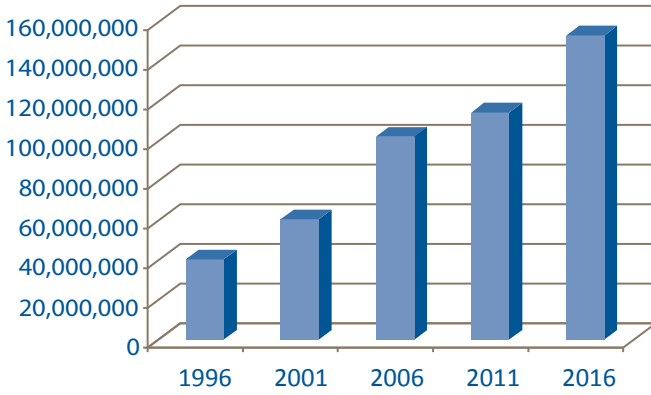
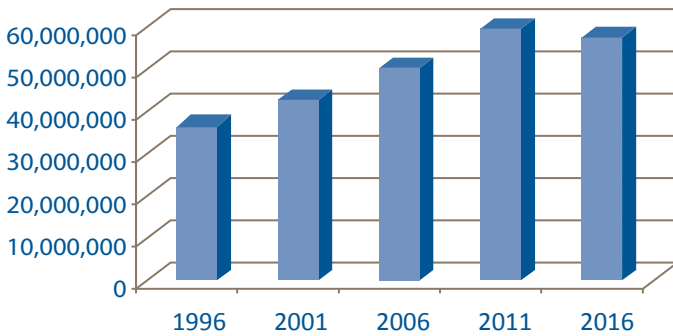


Fig. 2

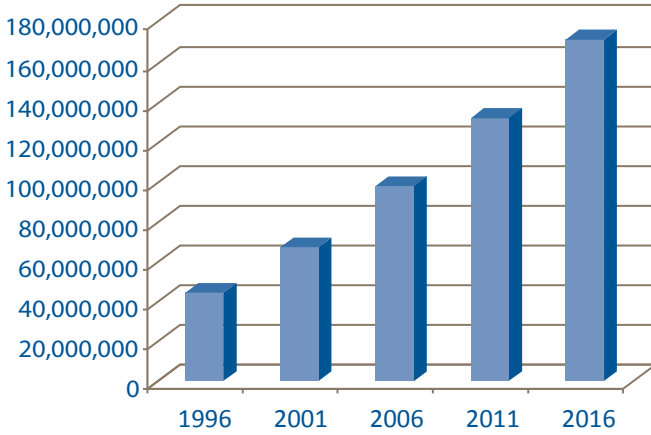
DEPOSITS

DEPOSITS \$154.4 MILLION**Fig. 3**

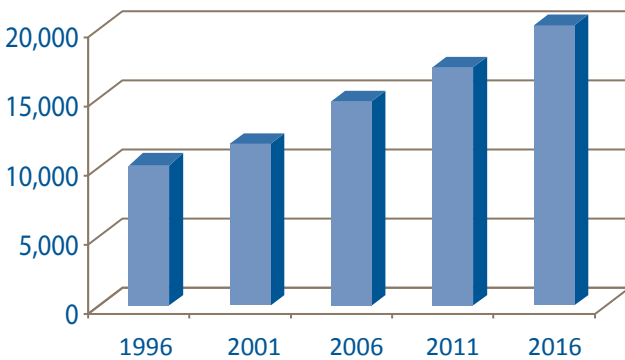
LOANS

LOANS \$57.2 MILLION**Fig. 4**

ASSETS

ASSETS \$173.3 MILLION**Fig.5**

MEMBERSHIP

MEMBERSHIP 20,197**Fig. 6**

AUBURN UNIVERSITY FEDERAL CREDIT UNION

HOW TO JOIN - Just call or come by one of our two Credit Union offices, and fill out an application. Persons eligible to join the Credit Union include employees of Auburn University and Auburn University at Montgomery; members of the Auburn University Board of Trustees; employees of the U. S. Government and the State of Alabama who are assigned to Auburn University and work in Auburn, Alabama, as well as employees of the Soil Conservation Service and the Economic Research Service who work in or supervised from Auburn or Opelika, Alabama. Also eligible to join the Credit Union are City of Auburn employees, Auburn City School System employees and students; Auburn Alumni Association voting members; Auburn Student Alumni Association members; employees of the Credit Union; spouses of persons who died while in the field of membership of this Credit Union; persons retired as pensioners or annuitants from the above employment; and immediate family members of members and organizations of such persons.

Visit or contact Auburn University Federal Credit Union for any of our following products & services.

- Savings and Checking Accounts
- VISA Debit Cards
- VISA Credit Cards
- Term Share Certificates
- Individual Retirement Accounts
- Mortgage Loans
- E-Z Eagle Line of Credit
- Home Equity Line of Credit
- Vehicle Loans for New and Used
- Student Loans
- Other Loans tailored for your needs
- Free Online Branch

-
- 24-Hour Telephone Teller Line
 - Direct Deposit
 - ATMs
 - Free Notary and Signature Guarantee Service
 - Safe Deposit Boxes
 - Miscellaneous Discount Tickets
 - Redeem U.S. Savings Bonds
 - American Express Travelers Checks
 - Domestic and International Wires

PAYROLL DEDUCTIONS/DIRECT DEPOSIT – Services are available for Share, Checking and IRA Deposits which offer a systematic savings program for members. Loan repayments may be made on a payroll deduction or direct deposit plan as well. Authorization forms may be obtained by visiting or contacting one of our two Credit Union offices.

**\$250,000 NCUA SHARE INSURANCE
PER ACCOUNT**

**\$250,000 ADDITIONAL NCUA SHARE
INSURANCE PER IRA ACCOUNT**

FUNDS PROTECTED – Your Credit Union is supervised and examined by our own Supervisory Committee and by the National Credit Union Administration. In addition, all officers and employees of the Credit Union are bonded up to \$3,800,000.



Main Office Street Address:

1290 S. Donahue Drive
Auburn, AL 36832

North College Street Branch Address:

1448 N. College Street
Auburn, AL 36830

Mailing Address:

Post Office Box 1610
Auburn, AL 36831-1610

www.aufcu.org
memberservices@aufcu.org

Phone & Fax Numbers:

- (334) 844-4120 Telephone
- (888) 899-2112 Toll Free Phone Number
- (334) 844-4162 Fax
- (334) 844-4458 Telephone Teller
- (888) 899-2232 Telephone Teller Toll Free

Main Office Hours

LOBBY HOURS

MONDAY – FRIDAY
9:00 A.M. to 5:00 P.M.

DRIVE-THRU HOURS

MONDAY – FRIDAY
7:30 A.M. to 5:30 P.M.
SATURDAY – 8:00 A.M. TO NOON

North College Street Branch Hours

LOBBY HOURS

MONDAY – FRIDAY
9:00 A.M. TO 5:00 P.M.

DRIVE-THRU HOURS

MONDAY – FRIDAY
8:00 A.M. TO 5:00 P.M.
SATURDAY – 8:00 A.M. TO NOON

ATM Locations

- Auburn – Main Office, Credit Union Building and Credit Union Drive-Thru
- Auburn – North College Street Branch Drive-Thru
- Auburn University – Student Activities Building
- Auburn University – Haley Center

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AUBURN UNIVERSITY
FEDERAL CREDIT UNION





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