

Auburn University Federal Credit Union



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

58th Year

2018
Annual Report



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

Established
1960

BOARD OF DIRECTORS

As of December 31, 2018

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

Maryanne Douglass, Vice Chairman/Education Committee Chair/
Member Money Management Committee Chair/Executive Committee/
Strategic Planning Committee/Legislative Committee, District 7

Curtis Jolly, 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, Assistant Secretary/Investment Committee/Information/
Member Security Committee Chairman/ED & IPS Committee Chairman/
Strategic Planning Committee

Deborah Heidepriem, Nominating Committee Chair/
Asset-Liability Management Committee/Investment Committee

Teresa Logiotatos, Board of Directors

Dennis Veronese, Personnel Committee/Nominating Committee/Building Committee

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

SUPERVISORY COMMITTEE

Jennifer Mueller, Chair
Charles Edmonds, Vice Chair
Jessica Hemard, Secretary
Nancy Bernard
Patricia A. Harris

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
Candace Garner, Chief Financial Officer
David Cleiland, Chief Technology Officer
Sincera Cruz, Interim Branch Manager
Rustyn Roper, Commercial/Consumer Loan Officer NMLS # 981649
Janice Finley, Loan Specialist NMLS # 682356
Jennifer Anderson, Loan Officer I NMLS # 682355
Valentina Muzaric, Projects Manager
Doris Dill, Collections Manager
Alex Sumrall, Assistant Member Service Manager
Willie Mae Lilly, Lead Member Service Representative
Paula Lewis, Lead Member Service Representative
Austin Meek, Executive Communications Director
Andrea Ahmad, Administrative Assistant for Operations
Natalei Zappala, Loan Assistant
Latevia Sanders, Card Call Center Assistant
Alisha Daniels, Call Center/Collections Assistant
Breanna Sherman, Call Center Representative
Wendy Davis, Receptionist
Sharron Dunn, Senior Member Service Representative
Janie Bowen, Member Service Representative
Lesvita Causland, Member Service Representative
Regis Cobb, Member Service Representative
Alyson Colmenares, Member Service Representative
Reshunda Johnson, Member Service Representative
Ronelle Lamb, Member Service Representative
Amanda Oliver, Member Service Representative
Nicole Oswald, Member Service Representative
Xavier Sullins, Member Service Representative
Jacob Coker, Part-Time Daily Data Auditor
Adetayo Bunsie, Part-Time Member Service Representative
Amber Epting, Part-Time Member Service Representative
Monty Greene, Part-Time Member Service Representative
Midas Oden, Part-Time Member Service Representative
Amber Tyer, Part-Time Member Service Representative

ANNUAL REPORT OF THE PRESIDENT & CEO

The year 2018 again saw gains in the financial position of the Auburn University Federal Credit Union (AUFUCU). Our assets ended the year at \$178,135,049.83. This represented a decrease of 1.7% in assets. The decrease in assets resulted from members moving some deposits to higher yielding investments, such as certificate specials and brokerage money market mutual funds as short term rates increased in 2018. This moved deposits down 2% to \$158,185,171.87.

Loans grew \$2,574,089.60 or 3.7%, to reach \$71,138,062.88. This increase is mostly in mortgage loans and participation loans. We purchased more participation auto loans from another credit union in Alabama to increase our participation loan position to \$3.4 million yielding approximately 4%. We continue to work hard to improve our lending numbers and standards.

Our equity grew 4.4%, to exceed \$21.1 million or 11.89% of assets. Operating expenses increased 3.6% to reach \$4,698,214, which reflects increased costs of doing business. Our conversion to Mastercard for our debit and credit cards was successfully completed in 2018 resulting in cost savings to the credit union and enhanced benefits to our members. We continue to look for ways to bring more value to our members.

One of the ways the board believes we can accomplish bringing more value to our members is for the credit union to convert to an Alabama state charter from our current federal charter, so the board voted to recommend to the members to convert to a state chartered credit union. The vote of the members whether to convert to a state charter is set for February 26, 2019. The credit union would continue to be federally insured by the NCUSIF with a state charter, but would become regulated by the Alabama Credit Union Administration instead of the National Credit Union Administration. I encourage all members to become informed and vote on this important matter.

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 Mastercard credit cards. This 1% loan interest refund resulted in \$29,283.90 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 \$27,441.19 in dividends paid to members above the .60% dividend paid in the fourth quarter. The total of these two Board actions resulted in an additional \$56,725.09 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 were very low in 2018, as net charge-offs totaled \$113,430.69, or 0.16% of loans. Delinquency also decreased to .34%. These are great numbers and we will work to continue with these positive results going forward. We continue to look at ways to make it simpler and more convenient for our members to do business with the credit union.

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, and on various Board committees. 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 2019. I look forward to another exciting year and 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 2018 Annual Meeting, the Board appointed Nancy Bernard, Charles Edmonds, Patricia Harris, Jessica Hemard, and Jennifer Mueller-Phillips to the AUFCU Supervisory Committee. All Supervisory Committee members have prior experience serving the credit union in this role. 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 Jessica Hemard (Secretary).

On April 26, 2018, auditors from Machen McChesney (MM) discussed with the Supervisory Committee results of the financial statement audit for the year ended December 31, 2017. 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 AUFCU present fairly in all material respects the financial position of AUFCU, and are presented in accordance with generally accepted accounting principles. AUFCU received a favorable (or, "clean") opinion from MM.

In addition to the financial statement audit discussed above, MM reviews AUFCU'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. On August 15, 2018, the committee met with auditors from MM to discuss these results. While there were no significant issues, AUFCU updated several policies and practices in response to the report.

The Supervisory Committee continued its procedure of having a committee member attend and observe the workings 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 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 (AUFUCU) submits to its members the following annual report for the year ending December 31, 2018. The credit union board, the volunteer committees, the credit union management and staff continually strive to enhance the operational efficiency and to improve the quality of service to its members. At the end of 2018 assets were \$178 million which was a decrease of 1.77% from the previous year.

The decrease was due to members moving funds to saving institutions offering specials on higher interest rate CD accounts. However, based on a weekly survey of 10 financial institutions in the Auburn area, the AUFUCU offered higher CD interest rates on traditional savings accounts. Net yield on assets was 3.6%, cost of funds was 0.5%, and operating expenses were 2.6% leaving a return on assets of 0.5%. Membership decreased in 2018 by 1.4% and now totals 15,586. The decrease was due to a new inactive account fee that went into effect in 2017. Member deposits, including certificates of deposit, shares and checking, decreased in monetary value by 2.1%.

Again this reflects the movement of funds from member accounts to institutions offering higher rates on special rate CDs. However, there was an 8.2% increase in the monetary value of member checking accounts. Money not loaned out to members was invested in government- backed securities. Investments in 2018 totaled 92.4 million, yielding a return of 2.24% and accounted for 51.9% 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 2018 net worth increased 6.3% and represented 11.89% of assets. The loan portfolio value increased 19.89%, totaled \$71 million, and yielded a return of 4.93% for the year.

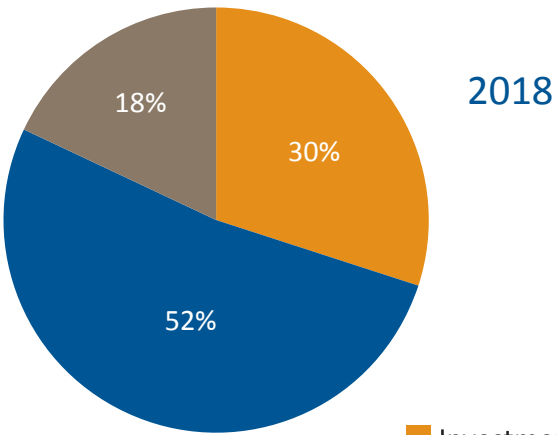
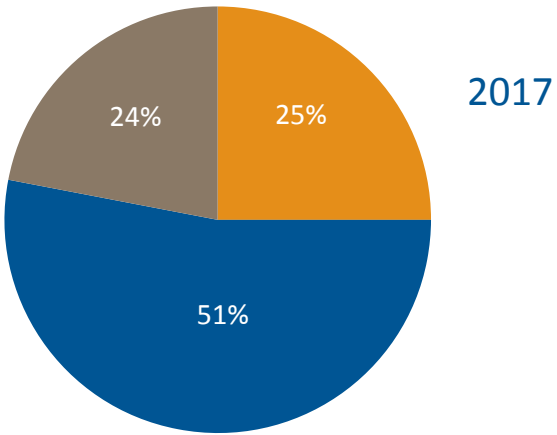
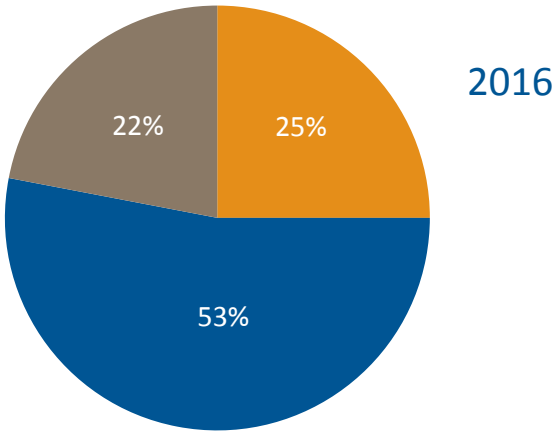
In 2018, as well as in previous years, the credit union continued to share its financial success with its members. At the end of the 4th quarter of 2018 the credit union paid a bonus dividend on share accounts and also a loan interest refund to its members. The bonus dividend and loan interest refund amounted to \$56,723.09 being returned to the members.

Although the US economy was robust in the past year, there is considerable volatility in the financial markets contributing to uncertainty in the economy. How will this uncertainty impact our credit union? To keep abreast of market changes, the credit union board and its committees meet regularly to review, make changes and develop strategies to address the challenges of future financial markets.

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 AUFCU are attributed also to the many volunteers who serve on committees and represent the interest of the membership. The AUFCU 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, 2018

ASSETS

Cash.....	\$	2,667,362
Loans to Members.....		71,138,063
Less: Allowance for Loan Losses		(620,286)
U.S. Government Obligations.....		0
Federal Agency Securities.....		68,604,701
Other Deposits		22,256,768
Fixed Assets: Building & Land Improvement		7,586,072
Furniture, Fixtures & Equipment.....		4,369,485
NCUSIF (Share Insurance Fund Deposit)		1,548,13
Other		584,751
TOTAL ASSETS	\$	178,135,050

LIABILITIES & EQUITY

Accounts and Taxes Payable.....	\$	807,624
Dividends Payable		10,383
Member Deposits: Shares 69.85%		110,485,784
Checking 11.93%		18,873,923
Certificates 18.22%		28,825,465
Regular Reserve		1,263,033
Undivided Earnings		19,921,032
Accumulated Unrealized Gains on AFS Securities		(1,158,413)
Pension Plan Prior Svc Cost		(893,780)
TOTAL LIABILITIES & EQUITY	\$	178,135,050

DISTRIBUTION OF OPERATING & OTHER INCOME

(FOR ENTIRE YEAR 2018)

OPERATING INCOME.....	\$	6,529,150
NCUSIF Charges		0
Salaries & Benefits		1,859,179
Other Expenses		2,839,035
Reserves.....		0
Undivided Earnings		1,830,936
Dividends.....		934,885
Equity/Net Worth	\$ 21,184,064.....	11.89%

STATISTICAL REPORT	2014	2015	2016	2017	2018
Number of Members	19,787	19,999	20,197	15,808	15,586
Average Share Balance \$	4,707	\$ 4,909	\$ 5,193	\$ 7,048	\$ 7,089
Number of Loans	6,450	5,868	5,811	5,683	5,711
Average Loan	\$ 8,584	\$ 9,564	\$ 9,839	\$ 12,065	\$ 12,456
Number of Certificates	1,758	1,688	1,620	1,521	1,365
Average Certificate	\$ 19,890	\$ 20,353	\$ 21,114	\$ 21,463	\$ 21,118

**STATEMENT OF INCOME
AND EXPENSES
DECEMBER 31, 2018**

INCOME

Interest on Loans	\$	3,364,764
Investment Income	\$	1,969,559
Other Income	\$	1,194,827
TOTAL	\$	6,529,150

EXPENSES

Salaries	\$	1,460,515
Retirement	\$	55,005
Social Security	\$	100,715
Group Insurance	\$	226,810
State Unemployment	\$	2,273
Federal Unemployment	\$	1,861
Other Employee Benefits	\$	12,000
Borrower's Insurance	\$	-
Life Savings Insurance	\$	64,320
Surety Bond	\$	36,350
NCUA Operating Fee	\$	45,854
Cost of Office Space	\$	370,381
Utilities	\$	54,598
Interest on Borrowed Money	\$	-
Stationary & Supplies	\$	260,310
Education/Promotions	\$	85,135
Furniture, Fixtures & Equipment	\$	134,497
Insurance	\$	37,521
Loan Servicing	\$	169,155
Communications	\$	129,110
Cash Over/Short	\$	1,216
Bank Service Charges	\$	401,788
Supervisory Committee	\$	61,741
Annual Meeting	\$	15,186
Legal & Appraisal	\$	94,172
EDP Programming & Consulting	\$	522,478
Maintenance & Repair	\$	30,558
Travel & Education	\$	17,884
Provision for Loan Losses	\$	215,500
Miscellaneous General	\$	53,514
Association Dues - NAFCU, NACUSAC	\$	37,765
	\$	4,698,214
Dividends	\$	934,885
Gain Sale of Investments	\$	-
NCUSIF Premium Charge	\$	-
	\$	<u>896,051</u>

INVESTMENTS - LOANS - ASSETS EQUITY - DEPOSITS

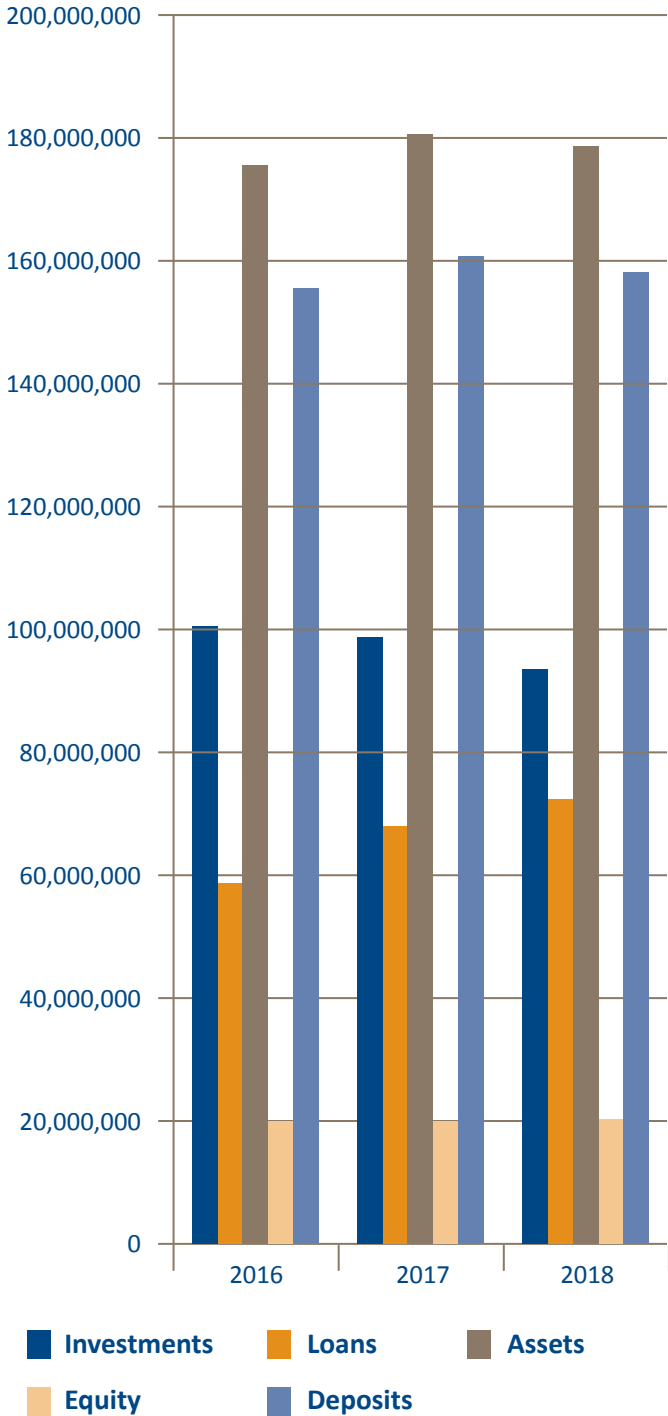
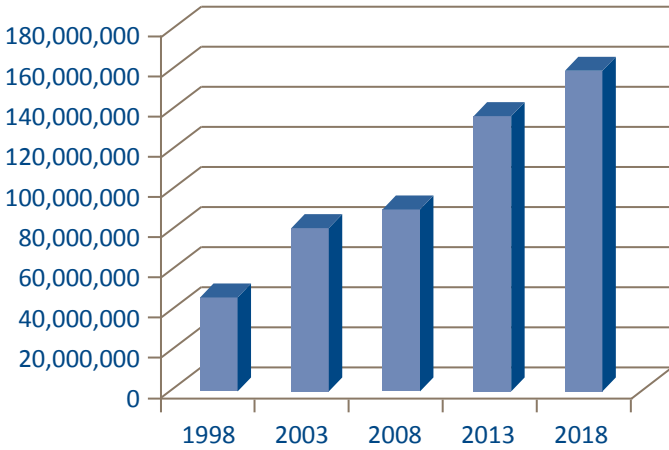
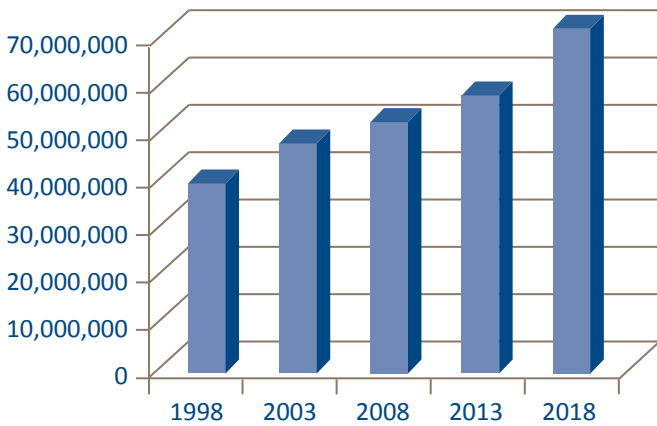


Fig. 2

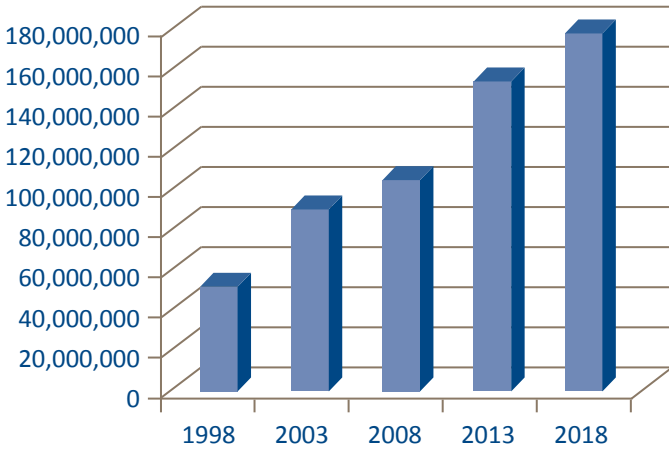
DEPOSITS

DEPOSITS \$158.1 MILLION**Fig. 3**

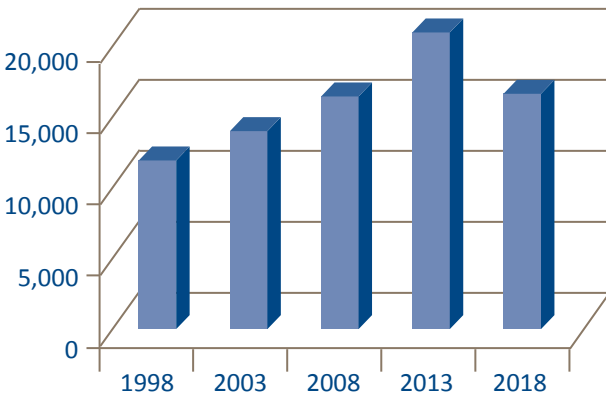
LOANS

LOANS \$71.1 MILLION**Fig. 4**

ASSETS

ASSETS \$178.1 MILLION**Fig.5**

MEMBERSHIP

MEMBERSHIP 15,580**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
- Mastercard Platinum Credit Cards
- Mastercard Debit 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
- Member Business Loans

-
- Other Loans tailored for your needs
 - Free Online Branch
 - Free Mobile App with Remote Check Deposit
 - 24-Hour Telephone Teller Line
 - Direct Deposit
 - ATMs located at both offices and Auburn University & AUM Campus
 - 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 \$4,000,000.

HOW TO CONTACT US

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
(888) 844-4150	Dividend Rate Line

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

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App Store



Google play

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Contact us to get started.



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FEDERAL CREDIT UNION





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