



2017 Annual Report



Message to Members

Strong growth continued for your Credit Union in 2017. Many of the goals that we had set for ourselves were surpassed early in the year, allowing us to remain at the top spot for member value in the state of Louisiana (ranked by Callahan & Associates, a national credit union data reporting firm) for four consecutive quarters.

In 2017, along with our successes came additional products and services for you to assist with your personal financial goals. We rolled out our "Welcome Home Loan" in March as a way for our members to buy a home at lower rate and with a lower down payment. Then in September, we began offering three certificate specials to help you save for your future.

As always, we gave back to the communities we serve in 2017. Through our Employee Giving Campaign - which is matched dollar-for-dollar by the Credit Union, we supported 12 worthy organizations. These included Volunteers in Public Schools, the Bella Bowman Foundation and St. Vincent de Paul. In addition, your Credit Union sponsored many events for our local Chambers of Commerce to support business growth. The Livingston Parish Business & Community Expo and the Ascension Parish Business Expo are just a couple of examples of our commitment to local businesses.

In 2017, we continued with our efforts to work with financial education programs like the Junior Achievement Finance Park, a program for middle school students, and the JumpStart Coalition's Bootcamp for Teachers. Both programs have the goal of helping students with money matters including earning, spending, saving and investing.

Not only did your Credit Union have a great 2017 financially, we had a great year for our staff, as well. EFCU Financial received the news in October that we were ranked as the fourth best place to work in the Greater Baton Rouge Area by the Best Places to Work Companies and the Society for Human Resources Management.

With 2018 in front of us, we will continue to improve our products and services for you and we will continue investing in our local communities. We thank you, our valued members, for your loyalty and for helping us reach our goals so that we can make all of this possible.



Jim Phillips
Chair, Board of Directors



Tyler Grodi
Chief Executive Officer

Treasurer's Report

The year 2017 was a transitional year for EFCU Financial after our record-breaking growth in 2016. While we still added over 6,000 new members in 2017, total assets only grew 3%, compared to 16% last year. This was not completely unexpected as our members and the Credit Union itself transitioned after a very challenging 2016. We look for more growth in the future, as we have the systems and processes in place to offer financial products and services that make a positive difference in our members' lives.

During 2017, we focused on working with our members to identify financial needs and opportunities to better our members' financial condition with our competitive loan products and rates. Our total loans to members outstanding increased over \$28 million, a 9% increase over last year. Our loan-to-share ratio reached 100%, meaning that for every dollar in deposits members brought to the Credit Union we loaned out a dollar. Lending to our members has always been our best investment and will continue to be as we look forward to the coming years.

We continued to focus on reducing delinquency and loan losses as we kept the percentage of delinquent loans low at 0.64%. Our Member Solutions Department continued to work closely with our members to help them through various financial challenges, while allowing the Credit Union to assist more members to realize their dreams of financial well-being.

Operating expense management continues to be a key focus as we evaluate our key vendor relationships and work to maximize the Credit Union's benefit from these relationships. For 2017, our total operating expenses (not including provision for loan loss expense) were 4% higher than 2016 as more members took advantage of things like online and mobile banking options; which while an added expense, allows us to serve our members more efficiently.

Although we are not a profit-driven organization, generating a positive bottom line is crucial to the sustainability of any business, including ours, as income is the only way credit unions are able to increase net worth as they continue to grow. EFCU Financial ended the year with net income of \$4,156,486 and a strong net worth ratio of 9.90%. As a strategic priority, our net worth rebounded from last year after it was strained from the tremendous growth we experienced. To put this in perspective, to be considered "well capitalized" by the National Credit Union Administration (NCUA), credit unions must have at least a 7% net worth ratio as net worth affects everything we do, including:

- adding new branches
- introducing new products
- expanding our loan portfolio
- paying higher dividend rates

We are pleased to report that we exceeded the NCUA's "well capitalized" definition by 290 basis points! What this means to you, our members, is your Credit Union is financially strong and secure today and for the future.


Keith Carpenter
Secretary/Treasurer

Statements of Financial Condition

ASSETS	2017	2016
Cash and cash equivalents	\$39,918,802	\$53,921,913
Interest-bearing time deposits in other financial institutions	100,000	4,518,000
Investment securities available-for-sale	5,038,281	6,333,346
Loans receivable, net of allowance for loan losses of \$1,026,535 and \$1,159,947 and respectively	329,055,770	300,458,678
Accrued interest receivable	902,598	870,333
National Credit Union Share Insurance Fund deposit	3,162,370	2,839,868
Federal Home Loan Bank stock - at cost	2,116,100	2,083,600
Investment in credit union service organizations (CUSOs)	213,989	183,763
Premises and equipment - net	9,496,264	9,171,903
Land held for sale	649,801	1,106,776
Prepaid benefit cost	2,024,702	1,956,410
Other assets	<u>2,675,147</u>	<u>1,309,512</u>
Total assets	<u>\$395,353,824</u>	<u>\$384,754,102</u>
LIABILITIES		
Members' shares and savings accounts	\$329,487,928	\$333,580,910
Notes payable	25,000,000	15,000,000
Accrued expenses and other liabilities	<u>3,367,553</u>	<u>2,788,108</u>
Total liabilities	<u>357,855,481</u>	<u>351,369,018</u>
COMMITMENTS AND CONTINGENCIES	-	-
MEMBERS' EQUITY, SUBSTANTIALLY RESTRICTED		
Regular reserve	7,444,267	7,444,267
Undivided earnings	31,702,728	27,546,242
Accumulated other comprehensive loss	<u>(1,648,652)</u>	<u>(1,605,425)</u>
Total members' equity	<u>37,498,343</u>	<u>33,385,084</u>
Total liabilities and members' equity	<u>\$395,353,824</u>	<u>\$384,754,102</u>

Statements of Operations and Comprehensive Income

	2017	2016
INTEREST INCOME		
Loans receivable	\$12,655,912	\$10,986,517
Investment securities	<u>648,305</u>	<u>549,498</u>
Total interest income	<u>13,304,217</u>	<u>11,536,015</u>
INTEREST EXPENSE		
Members' share and savings accruals	1,904,147	1,784,277
Interest on borrowed money	<u>367,398</u>	<u>220,870</u>
Total interest expense	<u>2,271,545</u>	<u>2,005,147</u>
NET INTEREST INCOME	11,032,672	9,530,868
PROVISION FOR LOAN LOSSES	<u>558,784</u>	<u>974,168</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>10,473,888</u>	<u>8,556,700</u>
NON-INTEREST INCOME		
NSF fees, late charges, and other fees	1,887,537	1,726,902
Interchange income	2,500,410	2,143,482
Gain (loss) on disposition of assets - net	17,507	(126,273)
Other non-interest income	<u>2,104,161</u>	<u>1,989,544</u>
Total non-interest income	<u>6,509,615</u>	<u>5,733,655</u>
NON-INTEREST EXPENSE		
Compensation and benefits	6,426,689	6,328,485
Office occupancy and operations	2,270,377	2,177,446
Professional and outside services	543,875	481,074
Servicing expenses	2,814,701	2,682,959
Other non-interest expense	<u>771,375</u>	<u>578,056</u>
Total non-interest expenses	<u>12,827,017</u>	<u>12,248,020</u>
NET INCOME	<u>4,156,486</u>	<u>2,042,335</u>
OTHER COMPREHENSIVE INCOME (LOSS) - NET		
Amortization of net pension loss	101,477	112,222
Net pension gain (loss)	(138,517)	6,649
Unrealized net holding gains, arising during the period	<u>(6,187)</u>	<u>89,525</u>
Total Other Comprehensive Income (loss)	<u>(43,227)</u>	<u>208,396</u>
COMPREHENSIVE INCOME	<u>\$4,113,259</u>	<u>\$2,250,731</u>

Supervisory Committee Report

EFCU Financial Federal Credit Union's Supervisory Committee consists of three EFCU Financial Members who volunteer their time to serve the Membership. The Committee has the responsibility of working with the Management Team and the Board of Directors to ensure that EFCU Financial is operating in a safe and prudent manner and in the best interests of our Members. To fulfill our responsibilities, we work with management to engage a CPA auditing firm, currently Postlethwaite & Netterville, to perform the annual audit. We also utilize a full time Internal Auditor and have the benefit of Federal examinations.

Our external audit for 2017 again returned an unmodified opinion that EFCU Financial is reporting in accordance with generally accepted accounting principles. In addition, over seventy internal audit reports were produced and reviewed to better ensure Member interests and improve internal controls.

It continues to be the opinion of the Supervisory Committee that the policies established by the Board of Directors contribute to sound management practices, and Credit Union staff and management are operating effectively, efficiently, and in a manner consistent with safeguarding the membership's interests.

Respectfully submitted,



Doug Vickers, Chair
Rick Bergeron
Darrell Langlois

Board, Staff & Info

Board Of Directors

Jim Phillips, Chair
Rick Bergeron, 1st Vice-Chair
Kim Bardell, 2nd Vice-Chair
Keith Carpenter, Secretary/Treasurer
Neal Chollette
Joyce Dunn
Neal Elkins
Celeste François
Jack Haynes

Supervisory Committee

Doug Vickers, Chair
Rick Bergeron
Darrell Langlois

Credit Review Committee

Joyce Dunn, Chair
Jack Haynes

Executive Management

Tyler Grodi, Chief Executive Officer
Rick Myers, Chief Financial Officer
Keith Cranfield, Chief Risk Officer
Billy McDonald, Chief Information Officer
Karon Musemeche, Chief Administrative Officer
Wynter Roy, Chief Operations Officer

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