



# 2018 Annual Report

# Message to Members

This time last year, we were talking about the strong growth and successes of 2017. And here we are one year later, talking about another strong year in 2018. In fact, 2018 was a record setting year with several milestones achieved. And once again, we have our wonderful staff and loyal members to thank.

Around our Operations Center, we have been referring to 2018 as the year of "fours". Three of the four major milestones reached last year begin with the number four and we hit these milestones quite early in the year. By the end of March, your Credit Union exceeded \$400M in assets, \$40M in net worth, 40,000 members and 20,000 checking accounts. These milestones are significant and were reached months ahead of our 2018 planned results.

What does all of this mean to you, our members? First and foremost, it means your Credit Union is financially sound. Second, it means we can offer some of the best short and long term savings rates and also offer some of the lowest lending rates in our market. And third, we can increase our giving and our financial education opportunities in all nine parishes of our Credit Union Charter. In fact, we established the EFCU Financial Foundation in 2018 to accomplish just that.

Our Foundation mission statement reads "Enriching the lives in the communities we serve". As more funds come into our Foundation from members like you, the more we can and will give back to those that need it most. In addition, through the EFCU Foundation, we will be able to give more college scholarships to members. Already, beginning in 2019, we have increased the number of scholarships offered from four to five, and have also increased the amounts of four of those scholarships. You can find out more about our Foundation and our scholarships on our website.

All of us at EFCU Financial - from our front line staff to our Board of Directors - are thankful for our member-owners. We look forward every day to providing each of you with the accounts, the loans and the services you need for your financial well-being. We thank you for your loyalty and look forward to many more record breaking years of serving you.



**Jim Phillips**  
Chair, Board of Directors



**Tyler Grodi**  
Chief Executive Officer

# Treasurer's Report

The year 2018 was a return to growth for EFCU Financial after growth slowed in 2017. We were able to add over 7,200 new members in 2018, and total assets grew 12%, compared to 3% last year. 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 2018, 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 \$52 million, a 16% increase over last year. Our loan-to-share ratio reached just over 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 0.62%. Our Member Solutions Department staff 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 2018, our total operating expenses (not including provision for loan loss expense) were only 4.5% higher than 2017.

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 a net income of \$4,745,912 and a strong net worth ratio of 9.93%. 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 293 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

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
Cash and cash equivalents	\$38,418,531	\$39,918,802
Interest-bearing time deposits in other financial institutions	100,000	100,000
Investment securities available-for-sale	2,509,117	5,038,281
Loans receivable, net of allowance for loan losses of \$1,178,003 and \$1,026,535 and respectively	381,210,937	329,055,770
Accrued interest receivable	1,159,169	902,598
National Credit Union Share Insurance Fund deposit	3,251,060	3,162,370
Federal Home Loan Bank stock - at cost	2,166,600	2,116,100
Investment in credit union service organizations (CUSOs)	241,421	213,989
Premises and equipment - net	9,210,005	9,496,264
Assets held for sale	649,264	649,801
Prepaid benefit cost	2,068,231	2,024,702
Other assets	<u>1,247,744</u>	<u>2,675,147</u>
<b>Total assets</b>	<b><u>\$442,232,079</u></b>	<b><u>\$395,353,824</u></b>
<b>LIABILITIES</b>		
Members' shares and savings accounts	\$373,356,587	\$329,487,928
Notes payable	25,000,000	25,000,000
Accrued expenses and other liabilities	<u>1,722,734</u>	<u>3,367,553</u>
<b>Total liabilities</b>	<b><u>400,079,321</u></b>	<b><u>357,855,481</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	-	-
<b>MEMBERS' EQUITY, SUBSTANTIALLY RESTRICTED</b>		
Regular reserve	7,444,267	7,444,267
Undivided earnings	36,448,640	31,702,728
Accumulated other comprehensive loss	<u>(1,740,149)</u>	<u>(1,648,652)</u>
<b>Total members' equity</b>	<b><u>42,152,758</u></b>	<b><u>37,498,343</u></b>
<b>Total liabilities and members' equity</b>	<b><u>\$442,232,079</u></b>	<b><u>\$395,353,824</u></b>

# Statements of Operations and Comprehensive Income

	2018	2017
<b>INTEREST INCOME</b>		
Loans receivable	\$14,187,056	\$12,655,912
Investment securities	870,164	648,305
Total interest income	<u>15,057,220</u>	<u>13,304,217</u>
<b>INTEREST EXPENSE</b>		
Members' share and savings accounts	2,575,698	1,904,147
Interest on borrowed money	565,056	367,398
Total interest expense	<u>3,140,754</u>	<u>2,271,545</u>
<b>NET INTEREST INCOME</b>	11,916,466	11,032,672
<b>PROVISION FOR LOAN LOSSES</b>	<u>827,695</u>	<u>558,784</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>11,088,771</u>	<u>10,473,888</u>
<b>NON-INTEREST INCOME</b>		
NSF fees, late charges, and other fees	1,917,493	1,887,537
Interchange income	2,740,989	2,500,410
Gain (loss) on disposition of assets - net	(32,686)	17,507
Other non-interest income	2,436,170	2,104,161
Total non-interest income	<u>7,061,966</u>	<u>6,509,615</u>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	6,677,468	6,426,689
Office occupancy and operations	2,374,422	2,270,377
Professional and outside services	540,167	543,875
Servicing expenses	2,996,583	2,814,701
Other non-interest expense	816,185	771,375
Total non-interest expenses	<u>13,404,825</u>	<u>12,827,017</u>
<b>NET INCOME</b>	<u>4,745,912</u>	<u>4,156,486</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Amortization of net pension loss	108,610	101,477
Net pension gain (loss)	(184,037)	(138,517)
Unrealized net holding gains, arising during the period	(16,070)	(6,187)
Total Other Comprehensive Income (loss)	<u>(91,497)</u>	<u>(43,227)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$4,654,415</u>	<u>\$4,113,259</u>

# Supervisory Committee Report

It continues to be our pleasure to serve EFCU Financial Federal Credit Union as your Supervisory Committee for the 2018 financial year and to report to you annually the Committees activities. As volunteers, we actively participate in monthly board meetings and planning sessions and serve to ensure that the Board of Directors and Senior Management follow both regulatory mandates and credit union policies, procedures and internal controls. We are tasked with overseeing an annual independent audit of the Credit Union which verifies member accounts, and reviews internal accounting systems. Our overarching duty is to ensure that all activities are adequately designed to protect the members' assets.

During the year under report, the Supervisory Committee performed all duties incumbent upon it, in a highly conscientious manner and in accordance with regulatory guidance, EFCU standards, and its own terms of reference. The Supervisory team oversees the Internal Auditor; meeting regularly to receive reports on topics that include major areas of importance and noted progress on any remediations. The Supervisory Committee is also responsible for ensuring the financial condition of the Credit Union is accurately presented in its financial statements by engaging an independent audit firm, Postlethwaite & Netterville. The National Credit Union Administration, the credit union's primary regulator, also conducts periodic examinations of records and operations-we expect their next visit in April 2019.

To encompass the growing regulatory environment, the breadth of our Internal Audit program has increased to over eighty-five internal audit reports along with several external audits reviewed by the Committee. Postlethwaite & Netterville, our external auditor for 2018, again returned an unmodified opinion that EFCU Financial is operating in accordance with generally accepted accounting principles (GAAP).

We remain confident that EFCU Financial continues to operate with a high level of safety and soundness.

Respectfully submitted,



Doug Vickers, Chair  
Rick Bergeron  
Darrell Langlois

# Board, Staff & Info

## Board Of Directors

Jim Phillips, Chair  
Kim Bardell, 1st Vice-Chair  
Rick Bergeron, 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  
Billy McDonald, Chief Information Officer  
Karon Musemeche, Chief Administrative Officer  
Wynter Roy, Chief Operations Officer

