

# *2019 Annual Report*



# Message to Members

In 2019, EFCU Financial continued to offer exceptional value to our deserving member-owners, and the Credit Union grew and flourished in return. Your Credit Union is stronger than it has ever been and is growing at a pace that benefits you and the communities we serve.

EFCU Financial achieved a milestone in mid-2019 that came several months before expected. In June, our assets surpassed \$500 million making us the 5th largest credit union in Louisiana. At year-end, assets totaled \$540,718,014. Compared to our peer group, your credit union was number one in deposit growth, loan growth and asset growth in the state in 2019. To say we had a great year would be an understatement.

Net membership growth exceeded 3,500 in 2019 yielding us more than 46,000 total members. This good news was compounded by your credit union's Callahan & Associates ranking of #1 in Louisiana for member value. Callahan & Associates is an independent national company providing data analytics for all credit unions across the United States. They gather and report their findings quarterly based on a Return of the Member (ROM) index by state, by peer group, and by national rankings. ROM captures a comprehensive view of member value based on loan and deposit rates, products and services offered, and how many members utilize the products and services. In addition, to our 1st place ranking out of 171 credit unions in the state, EFCU Financial is ranked nationally at #19 out of 259 credit unions in our peer group (\$500M-\$1B asset size) and at #127 out of all 5,316 total credit unions across the U.S.

Another highlight of 2019 for your credit union was the opening of our eighth location in our field of membership. This new branch located on Perkins Road near Bluebonnet Boulevard offers our members in the Greater Baton Rouge Metro Area another convenient location to visit in an area where we had no previous presence. The EFCU Financial Perkins Branch has a beautiful lobby and is family-friendly with an activity area for kids and a baby-changing station. This branch also has a coffee service area with charging stations for your smart phone, iPad or laptop. Our Perkins Branch is staffed with seasoned EFCU Financial professionals ready to meet your financial needs.

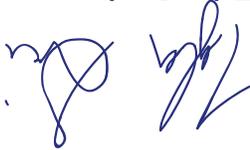
Going forward, you can expect your credit union to continue to strive to offer you all the latest in banking technology, unparalleled member service, and the accounts and loans you need to make life a bit easier.

As always, the entire staff at EFCU Financial would like to thank our member-owners for their support and their loyalty. We hope to see you in one of our branch locations soon.

Kimberly Bardell  
Chair, Board of Directors



Tyler Grodi  
Chief Executive Officer



# Treasurer's Report

After a great year in 2018, EFCU Financial saw record growth in 2019. We were able to add over 8,000 new members in 2019 and total assets grew 22%, compared to 12% 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 2019, 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 increased over \$56 million, a 15% increase over last year. Our loan-to-share ratio was 95%, meaning that for every dollar in deposits members brought to the credit union we loaned out 95 cents. 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 0.43%. 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 with realizing 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 2019, our total operating expenses (not including provision for loan loss expense) were 7.6% higher than 2018. The bulk of our operating expense increase was due to increased staffing for our new branch on Perkins Road and offering new products to our members.

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 reliable way credit unions are able to increase net worth as they continue to grow. EFCU Financial ended the year with net income of \$5,129,376 and a strong net worth ratio of 9.07%. 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 207 basis points! What this means to you, our members, is your Credit Union is financially strong and secure today and for the future.



Neal Chollette  
Secretary/Treasurer



Rick Myers  
Chief Financial Officer

# Statements of Financial Condition

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	\$79,100,244	\$38,418,531
Interest-bearing time deposits in other financial institutions	100,000	100,000
Investment securities available-for-sale	1,823,074	2,509,117
Loans receivable, net of allowance for loan losses of \$1,417,388 and \$1,178,003 and respectively	437,090,747	381,210,937
Accrued interest receivable	1,323,387	1,159,169
National Credit Union Share Insurance Fund deposit	3,993,620	3,251,060
Federal Home Loan Bank stock - at cost	2,228,400	2,166,600
Investment in credit union service organizations (CUSOs)	278,438	241,421
Premises and equipment - net	10,387,130	9,210,005
Assets held for sale	649,264	649,264
Prepaid pension plan benefit cost	2,175,717	2,068,231
Other assets	<u>1,567,993</u>	<u>1,247,744</u>
<b>Total assets</b>	<b><u>\$540,718,014</u></b>	<b><u>\$442,232,079</u></b>
 <b>LIABILITIES</b>		
Members' shares and savings accounts	\$464,049,890	\$373,356,587
Notes payable	27,000,000	25,000,000
Accrued expenses and other liabilities	<u>2,276,997</u>	<u>1,722,734</u>
<b>Total liabilities</b>	<b><u>493,326,887</u></b>	<b><u>400,079,321</u></b>
 <b>COMMITMENTS AND CONTINGENCIES</b>	 -	 -
 <b>MEMBERS' EQUITY, SUBSTANTIALLY RESTRICTED</b>		
Regular reserve	7,444,267	7,444,267
Undivided earnings	41,578,016	36,448,640
Accumulated other comprehensive loss	<u>(1,631,156)</u>	<u>(1,740,149)</u>
<b>Total members' equity</b>	<b><u>47,391,127</u></b>	<b><u>42,152,758</u></b>
 <b>Total liabilities and members' equity</b>	<b><u>\$540,718,014</u></b>	<b><u>\$442,232,079</u></b>

# Statements of Operations and Comprehensive Income

	2019	2018
<b>INTEREST INCOME</b>		
Loans receivable	\$17,773,169	\$14,187,056
Investment securities	1,434,659	870,164
Total interest income	<u>19,207,828</u>	<u>15,057,220</u>
<b>INTEREST EXPENSE</b>		
Members' share and savings accounts	5,638,464	2,575,698
Interest on borrowed money	569,929	565,056
Total interest expense	<u>6,208,393</u>	<u>3,140,754</u>
<b>NET INTEREST INCOME</b>	12,999,435	11,916,466
<b>PROVISION FOR LOAN LOSSES</b>	<u>1,370,686</u>	<u>827,695</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>11,628,749</u>	<u>11,088,771</u>
<b>NON-INTEREST INCOME</b>		
NSF fees, late charges, and other fees	2,380,914	1,917,493
Interchange income	3,068,011	2,740,989
Gain (loss) on disposition of assets - net	(24,637)	(32,686)
Other non-interest income	2,496,280	2,436,170
Total non-interest income	<u>7,920,568</u>	<u>7,061,966</u>
<b>NON-INTEREST EXPENSE</b>		
Compensation and benefits	7,341,508	6,677,468
Office occupancy and operations	2,542,313	2,374,422
Professional and outside services	630,338	540,167
Servicing expenses	3,105,170	2,996,583
Other non-interest expense	800,612	816,185
Total non-interest expenses	<u>14,419,941</u>	<u>13,404,825</u>
<b>NET INCOME</b>	<u>5,129,376</u>	<u>4,745,912</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Amortization of net pension loss	118,761	108,610
Net pension gain (loss)	(74,378)	(184,037)
Unrealized net holding gain (loss), arising during the period	64,610	(16,070)
Total Other Comprehensive Income (loss)	<u>108,993</u>	<u>(91,497)</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$5,238,369</u>	<u>\$4,654,415</u>

# Supervisory Committee Report

It continues to be our pleasure to serve EFCU Financial Federal Credit Union as your Supervisory Committee for the 2019 financial year and to report to you annually the Committee's activities. The Supervisory Committee is made up of three member/volunteers appointed by the Board of Directors who are responsible for ensuring that the financial condition of the Credit Union is accurately and fairly presented in the Credit Union's financial statements, verifying that management practices and procedures are sufficient to safeguard credit union members' assets, and assisting the Board of Directors in fulfilling its oversight responsibilities.

To carry out its responsibilities, the Supervisory Committee meets at least quarterly, attends the monthly Board meetings, utilizes a full time Internal Auditor which reports directly to the Committee, and lastly, engages an independent CPA firm, Postlethwaite and Netterville, to perform an annual verification of member accounts and Annual Audit of our Financial Statements.

We also have the benefit of a Federal Examination. In summary, the Supervisory Committee works for the best interests of you, as a member/owner of EFCU Financial Federal Credit Union.

Therefore, we are pleased to announce that it is the conclusion of Postlethwaite and Netterville, to return an unmodified opinion that the financial statements present fairly, in all material respects, the financial position of EFCU Financial and the results of its operations and its cash flows are in conformity with Generally Accepted Accounting Principles for the year ended December 31, 2019.

Respectfully submitted,



Doug Vickers, Supervisory Committee Chair  
Darrell Langlois  
Jim Phillips

# *Board, Staff & Info*

## **Board Of Directors**

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

## **Associate Directors**

David Dartez  
Reggie Gremillion

## **Supervisory Committee**

Doug Vickers, Chair  
Darrell Langlois  
Jim Phillips

## **Credit Review Committee**

Joyce Dunn, Chair  
Jack Haynes

## **Senior 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

