

Auburn University Federal Credit Union



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

55th Year

2015
Annual Report



AUBURN UNIVERSITY
FEDERAL CREDIT UNION

Established
1960

BOARD OF DIRECTORS

As of December 31, 2015

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

Carol Centrallo, Delinquent Loans Committee

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

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

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

CREDIT COMMITTEE

Jane B. Moore, Chair

Joseph H. Yeager, Secretary

Debbie Heidepriem

Alternate: Morris Ware

Alternate: Nick Conrad

Alternate: Karen Sharpless

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

Amanda Dennis, Call Center/Collections Assistant

Wendy Davis, Call Center Representative

Chelsea McMurray, Receptionist

Emily Grow, Member Service Representative

Paula Lewis, Member Service Representative

Brandon McCurdy, Member Service Representative

Summer Stacks, Member Service Representative

Dominica Jones, Member Service Representative

Deon Phillips, 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

Andrea Ahmad, Part-Time Member Service Representative

Lee Alderman, Part-Time Member Service Representative

Whitney Brooks, Part-Time Member Service Representative

Alisha Daniels, Part-Time Member Service Representative

Hannah Moore, Part-Time Member Service Representative

Trent Nobles, Part-Time Member Service Representative

Xavier Sullins, Part-Time Member Service Representative

ANNUAL REPORT OF THE PRESIDENT & CEO

The year 2015 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 \$165,371,711.54. This represented 3.9% growth in assets. This growth allows the credit union to continue to offer the best services and technology to you, our members.

Also in 2015, deposits grew 4.7%, to \$146,349,758.41 and membership grew 1% to reach 19,999. Membership growth will 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 \$753,090.22 or 1.4%, to reach \$56,120,475.34. This increase is our first increase in loans in two years. We continue to work hard to improve our lending numbers and standards.

Our equity grew 2.4%, to exceed \$18.6 million or 11.30% of assets. Operating expenses decreased 1.1% to reach \$4,573,269.30, 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 311 new members to the branch and opened 160 new checking accounts in 2015 at the branch. This brings our totals to 1,231 member accounts and 519 checking accounts at the branch. The deposits total \$3,784,585.15 and the loans outstanding are \$1,697,055.68. All of these are good numbers, and we are very pleased with the growth of the branch business.

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 \$25,647.63 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 \$24,398.65 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 \$50,046.28 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 2015, as net charge-offs totaled \$377,432.01, or 0.67% of loans. Delinquency also decreased to 1.70%. These are good trends and need to continue in 2016. While this is above our targeted rate of .70%, we continue to work on reducing this percentage. We also are looking at ways to better underwrite our loans as we implemented several new policies that will address this need.

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 2016. 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 2015 Annual Meeting, the Board appointed Nancy Bernard, Charles Edmonds, Patricia Harris, and Jennifer Mueller-Phillips to the AUFUCU Supervisory Committee. All members have multiple years of prior service on the 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 18, 2015, auditors from Machen, McChesney & Chastain, Certified Public Accountants (MMC), discussed with the Supervisory Committee results of the financial statement audit for the year ended December 31, 2014. 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 MMC.

In addition to the financial statement audit discussed above, MMC reviews AUFUCU's compliance with Bank Secrecy Act/Anti-Money Laundering and Automated Clearing House procedures. MMC also audits employee and official accounts on an annual basis. At the June 30, 2105 committee meeting MMC 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 MMC. NCUA completes a risk-focused examination covering major risk and regulatory compliance areas within the credit union. Chairperson Mueller-Phillips met with examiners to discuss supervisory committee practices. On December 8, 2015, Chairman Armstrong reviewed the NCUA Examination Report with

the committee. Several improvements in AUFCU policies and procedures resulted from the examination.

In 2015, 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, 2015. The credit union board, the volunteer committee members, the credit union management and staff aspire to continually enhance the operational efficiency and to improve the quality of service to our members. At the end of 2015 assets increased 3.91% to an all-time high of \$165 million. Membership in 2015 increased 1.07% and resulted in a net gain of 212 new members with a total membership of 19,999.

Member deposits, including certificates of deposit, shares and checking, increased in monetary value by 4.7%. Money not loaned out to members was invested in government-backed securities. Investments in 2015 increased 3.2% and accounted for 57.2% 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 2015 net worth increased 2.3% over 2014, and represented 11.3% of assets. The loan portfolio increased 1.4% which was attributable to an uptick in home mortgage loans. The fiscal growth of the credit union in 2015 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 2015, 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 2015 the credit union paid a bonus dividend and loan interest refund to its members. The bonus dividend and loan interest refund amounted to \$50,046.28 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 measure 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 also are accredited 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 service 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

ANNUAL REPORT OF THE CREDIT COMMITTEE

Loans for 2015 increased from 2014 by 1.36%. This is a result of lower mortgage rates in 2015. Fixed rate first mortgage loans increased over 36%. We started a student loan program in 2015 and made our first student loan. Used autos and adjustable rate mortgages accounted for the largest decline in loans. We were very pleased to see our portfolio increase after two years of declining growth.

The average size of loans did increase in 2015, due to the growth in mortgage lending. Total loan volume processed in 2015 increased by 12% over 2014.

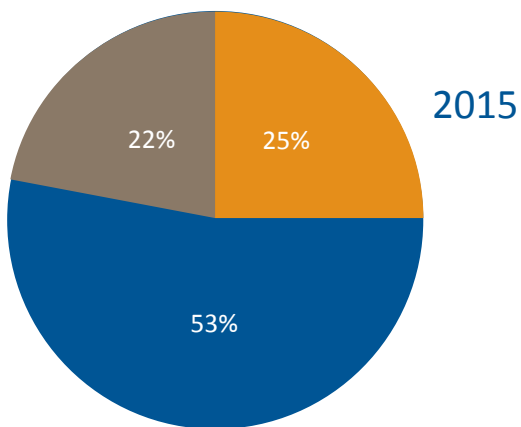
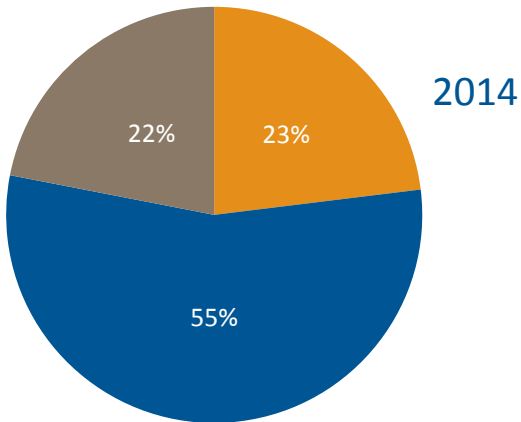
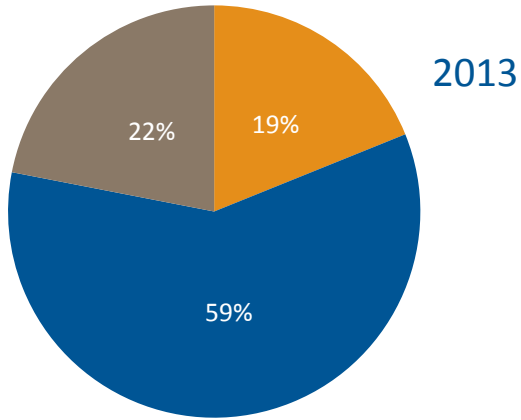
Loan applications received were also slightly below that of 2014, by about 311 applications. The percentage of loan applications approved increased to 61%. Delinquent credit continues to be the major factor in the denial of loans submitted to the credit committee. Delinquent loans saw a 12% decrease in number and a 24% decrease in percentage to 1.70%. Delinquent loans saw a large decrease in 2015. The credit union hopes to continue that trend in 2016.

Bankruptcies decreased in 2015 in numbers and dollar amounts. Net loans charged off decreased this year over 2014, by 10%. This is a good trend. The amount of recoveries on charged off loans increased by 24%, due to the efforts of the collections and lending staff.

The credit union continues to work hard meeting the needs of our members in a safe and sound manner. The credit committee met on a weekly basis, and as needed, to review loan applications and appraisals.

Jane Moore, Chair

OPERATING INCOME



Investments
Loans
Other

Fig. 1

Financial Information

STATEMENT OF CONDITION DECEMBER 31, 2015

ASSETS

Cash.....	\$	2,691,521
Loans to Members.....		56,120,475
Less: Allowance for Loan Losses		(604,557)
U.S. Government Obligations		3,004,208
Federal Agency Securities.....		65,248,798
Other Deposits		24,919,952
Fixed Assets: Building & Land Improvement		8,472,508
Furniture, Fixtures & Equipment		3,626,796
NCUSIF (Share Insurance Fund Deposit)		1,399,581
Other		492,430
TOTAL ASSETS	\$	165,371,712

LIABILITIES & EQUITY

Accounts and Taxes Payable	\$	907,922
Dividends Payable		8,655
Member Deposits: Shares 67.1%		98,183,059
Checking 9.4%		13,810,154
Certificates 23.5%		34,356,545
Regular Reserve		1,263,033
Undivided Earnings		17,425,439
Accumulated Unrealized Gains on AFS Securities		13,408
Pension Plan Prior Svc Cost		(596,503)
TOTAL LIABILITIES & EQUITY	\$	165,371,712

DISTRIBUTION OF OPERATING & OTHER INCOME

(FOR ENTIRE YEAR 2015)

OPERATING INCOME.....	\$	5,767,549
NCUSIF Charges	\$	0
Salaries & Benefits		1,681,414
Other Expenses		2,891,856
Reserves		0
Undivided Earnings		1,194,280
Dividends		765,440

Equity/Net Worth \$18,688,47211.30%

STATISTICAL REPORT	2011	2012	2013	2014	2015
Number of Members	17,496	18,722	19,482	19,787	19,999
Average Share Balance	\$4,040	\$4,241	\$4,525	\$4,707	\$4,909
Number of Loans	7,279	7,435	6,923	6,450	5,868
Average Loan	\$8,067	\$8,089	\$8,261	\$8,584	\$9,564
Number of Certificates	2,258	2,026	1,889	1,758	1,688
Average Certificate	\$16,022	\$18,576	\$19,982	\$19,890	\$20,353

**STATEMENT OF INCOME
AND EXPENSES
DECEMBER 31, 2015**

INCOME

Interest on Loans	3,042,728\$
Investment Income	1,457,144
Other Income	1,267,676
TOTAL	\$ 5,767,549

EXPENSES

Salaries	\$ 1,269,30
Retirement	103,469
Social Security	89,777
Group Insurance	202,277
State Unemployment	2,931
Federal Unemployment	1,653
Other Employee Benefits	12,000
Borrower's Insurance	36
Life Savings Insurance	45,164
Surety Bond	30,490
NCUA Operating Fee	28,977
Cost of Office Space	349,886
Utilities	53,337
Interest on Borrowed Money	0
Stationary & Supplies	240,704
Education/Promotions	52,991
Furniture, Fixtures & Equipment	172,657
Insurance	40,541
Loan Servicing	170,579
Communications	164,344
Cash Over/Short	2,871
Bank Service Charges	385,112
Supervisory Committee	78,125
Annual Meeting	13,362
Legal & Appraisal	67,104
EDP Programming & Consulting	397,634
Maintenance & Repair	28,141
Travel & Education	13,350
Provision for Loan Losses	399,000
Miscellaneous General	118,340
Association Dues - NAFCU, NACUSAC	39,109
TOTAL	\$ 4,573,269

Dividends	765,440
NCUSIF Premium Charge	0

NET INCOME \$ 428,840

**INVESTMENTS - LOANS - ASSETS
EQUITY - DEPOSITS**

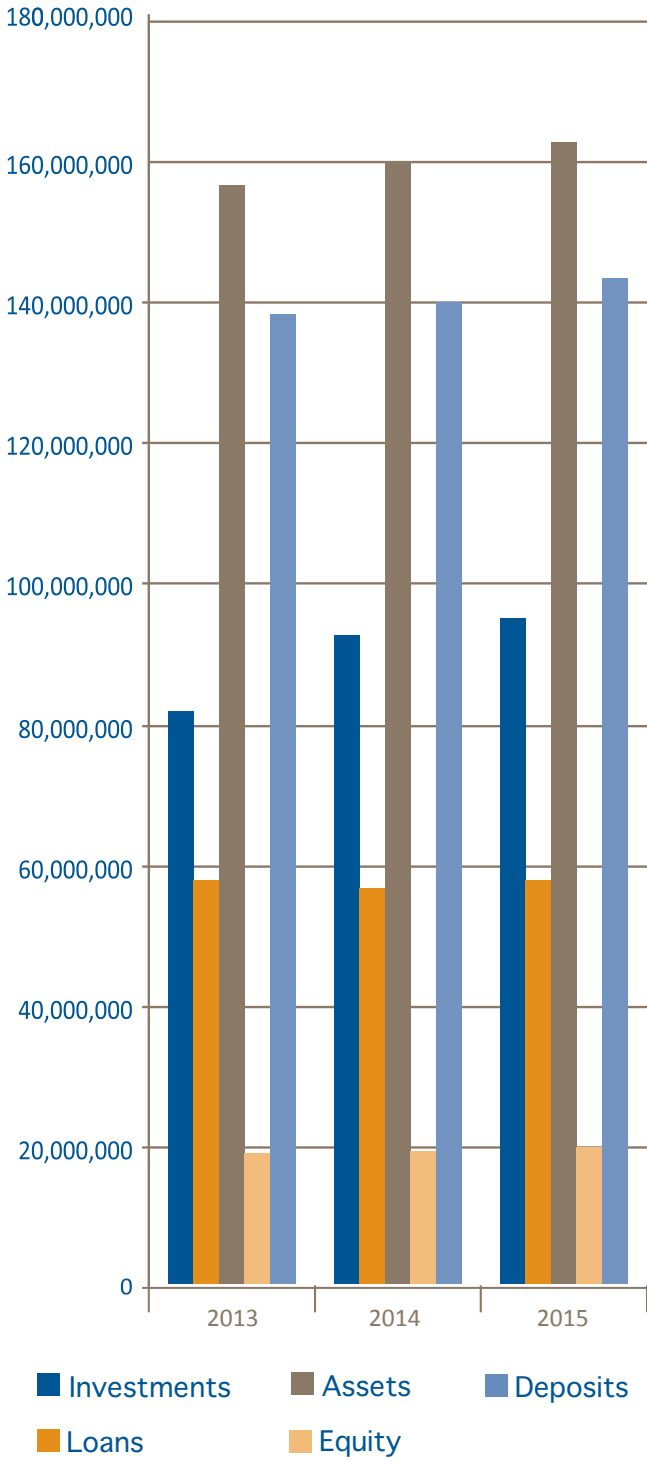
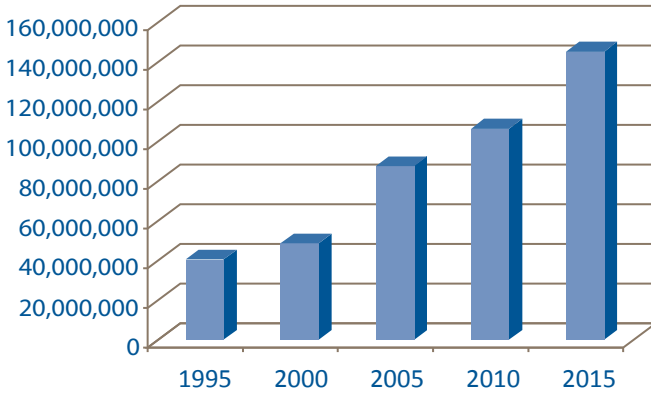
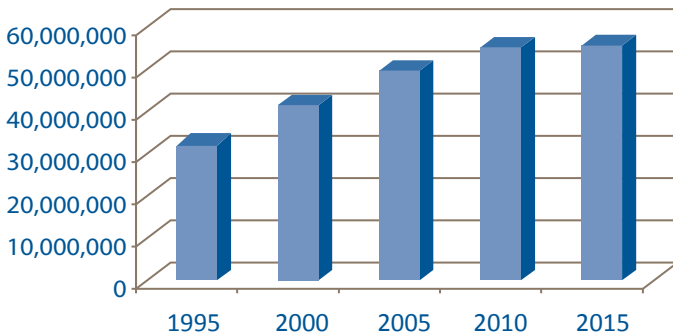


Fig. 2

DEPOSITS

DEPOSITS \$146.3 MILLION**Fig. 3**

LOANS

LOANS \$56.1 MILLION**Fig. 4**

ASSETS

ASSETS \$165.3 MILLION

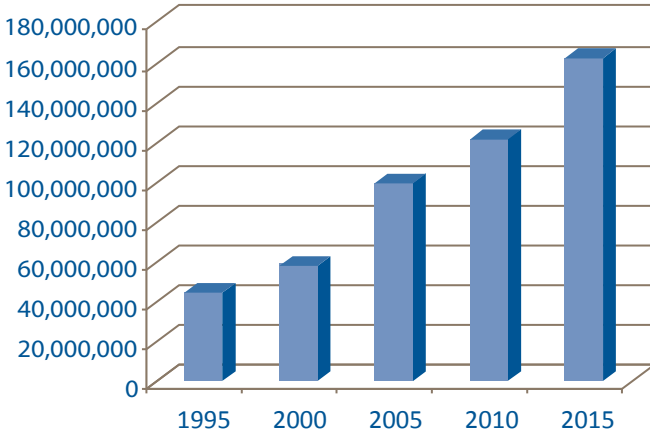


Fig.5

MEMBERSHIP

MEMBERSHIP 19,999

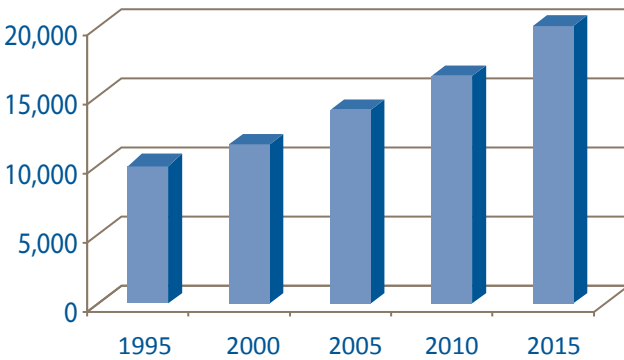


Fig. 6

AUBURN UNIVERSITY FEDERAL CREDIT UNION

HOW TO JOIN - Just come by or call the Credit Union office, 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 family members of members and organizations of such persons. Families are defined as all children, grandchildren, brothers, sisters, parents and grandparents.

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 at the Credit Union office.

ABOUT YOUR SHARES - The following types of accounts are available at your Credit Union:

- Regular Share Accounts, Dividends Accrued Daily, Paid Quarterly
- Checking Accounts
- Online Branch (Available with Checking Accounts)
- Short Variable Term Share Certificate \$2,500-Minimum, 90-365 Days
- Long Variable Term Share Certificate \$2,500-Minimum, 12-60 Months
- \$100,000 Minimum Negotiable Rate Certificate
- Targeted Jumbo (Negotiable Rate) Certificate
- Dividend Negotiable Rate Certificate
- IRA, Education IRA, and Roth IRA Long Variable Term Share Certificate \$500-Minimum, 12-60 Months
- IRA, Education IRA, and Roth IRA Share Account, Dividends Accrued Daily, Paid Quarterly

Call the Credit Union office for current rates – 24 hour rate line (334) 844-4150 – subject to change each Wednesday. Negotiable rates are quoted daily on request.

**\$.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.

LOANS are available for most any worthwhile purpose.



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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