

COMMUNITIES

Abilene Federal Credit Union 2017 Annual Members Meeting



Change is how we Grow

2016 Chairman's Report

2016 was a challenging year for the entire credit union industry. We had our share of challenges too. A combination of a depressed economic market, an energy industry that quickly went from boom to near bust, and employment shortfalls left us unable to show a profit by the end of December. Our skilled staff was able to make the necessary adjustments to offset the poor market, but we won't see those gains until 2017.

Over the last 20 years or so that I have had the honor of serving as a volunteer, we have seen the market fluctuate often. Thankfully, we weather the tough times, and we kick in to high gear and leverage our skills when the market is strong. That's exactly what we did in 2016. We entered the beginning of the year with the collapse of the energy industry still haunting us, and the overall weak economy putting our borrowers in rough situations, causing financial hardship for a significant number. Thanks to our quick thinking leaders, we responded by adjusting policies and making some great decisions with our investments. From what we know, we responded faster and more effectively than rival credit unions.

The beauty of the credit union business model is that it is not designed to reap massive profits on the backs of "customers." We service "members" with their financial needs in a way that tries to offer the best deal possible without taking advantage. Those members, all of us here today, are the real owners and benefactors of our credit union. Our staff and volunteers do their best to balance fair-minded member service while earning enough to keep us stable and growing.

Our primary source of income right now comes from loans. Vehicle Loans, Mortgages, credit cards, and other various loans are extremely important to all of us. Investments constitute the second largest income stream. Unfortunately, with the interest rates at historic lows, investments are only successful because of the genius of our financial team. The third way is through the modest fees we charge for special services.

Thanks to all of our employees, they have created a fourth revenue stream for us, and that is through cost savings. In 2016, our cost of office operations was so low that we received high praise from our Federal Examiners. Our staff saved us tens of thousands of dollars in 2016. The entire staff was empowered to find ways to reduce unnecessary spending, and they were highly successful. Through the competitive bidding process, contracts were awarded to match our needs without costly add-ons that provided no extra value. Even simple approaches like calling up a vendor and asking for a discount were very successful.

What about the new website? Isn't it a beauty? Our talented IT pros designed the upgrades and saw the project through to completion. We have about 13,000 members doing most or all of their transactions electronically, so we needed to give them a cutting edge platform to work from.

If you do your business in person, we treat our employees with dignity and respect so they, in turn, can provide the best service possible. How many times has your day been brightened by one of our outstanding employees?

Running a credit union like Communities of Abilene is a complex business. Regulations, policies, volatile markets, rising costs, and information technology demands require each employee and volunteer to stay current with all the changes so we can respond effectively. I'm proud to say that we are protecting our member's assets, finding new ways to gain increased market shares, and enjoy expense-savings through smart business practices.

Respectfully Submitted,
Robert Sayer
Chairman, Board of Directors

2016 Supervisory Committee Report

The Supervisory Committee is made up of members who oversee the basic financial health of our credit union. The Committee is responsible for making sure the accounting practices used represent the financial condition of the Credit Union accurately. The Committee continuously monitors the Credit Union's internal controls and insures the institution conforms to National Credit Union Administration (NCUA) and Federal Reserve Board regulations.

The firm of WayPoint Advisory Services Inc. conducted a 100% negative verification of members accounts effective 30 September 2016. The review verified all member statements were mailed. Three hundred thirty seven (337) did not reach the members due to incorrect addresses. Thirty one statements were returned from USPS with new address notifications and Two hundred ninety four statements were returned undeliverable with no forwarding address.

The Supervisory Committee asks and encourages all members to ensure their current address is on file with the credit union to ensure correspondence from the credit union is able to be delivered in a timely manner.

WayPoint also conducted an Opinion Audit for the year ended 30 September 2016 on the financial statements of the credit union as recommended by the NCUA. A summary of the audit revealed that overall quality of the accounting records was good and that loan files were considered to be well organized with no issues indicating a pattern of noncompliance in any area.

The firm of Davis Kinard & Co, PC conducted quarterly Supervisory Committee audits in accordance with NCUA Rules and Regulations. The audits overall went well with no significant findings.

The Supervisory Committee commends and thanks our credit union leadership and staff for all their hard work and efforts on behalf of all the members.

If any credit union member is interested in becoming a member of the Supervisory Committee they can send a letter to the committee at the address below.

If you have any questions or concerns about your account that you are unable to resolve by calling or visiting a branch office, please contact us in writing at P.O. Box 488, Abilene TX 79604.

Respectfully submitted,
Kenneth M. Simonton
Chairman Supervisory Committee

2016 President's Report

This year the economy, mainly due to the oil industry, had a major financial impact on Communities of Abilene Federal Credit Union earnings. We started the year off in the negative, made up all the losses, only to fall back in the negative at the end of the year resulting in a loss of \$182,570. Things could have been a lot worse, but we were able to cut our operating expenses by \$273,227 to help us offset the effects of the economy. The bond market changed and kept us from selling our investments which would have added additional income. We are starting to see some improvement but it will take some time to rebound from the negative effects of the economy.

During the year, there were several projects completed and several still in the works. We were successful in getting our new loan platform, Velocity installed and running. This should help the loan department with tracking the applications and loan products. A special thanks to the staff for their hard work on coordinating the project and making it a success. The loan department was also responsible for getting all our credit cards converted to the new EMV chip. This should help to control fraud and make it more difficult for your credit card to get compromised.

The collections department did a great job working out arrangements with our delinquent members to keep from having to repossess their property. Unfortunately, because of the job loss in the oil field there were several vehicles repossessed and charged off during the year. This contributed to most of our loss for the year.

The IT department launched our new website. We hope the new site will be more user friendly to our members and provide more information for those looking at our website for loans or credit union membership. We are in the final stages of testing our debit cards with the new EMV chip and should be distributing the cards very soon.

I want to thank our employees for their hard work and the great service they provide our members and I want to thank you, our member for being part of the Communities of Abilene Federal Credit Union family.

Respectfully Submitted
Louis Zientek
President and Chief Executive Officer

2016 Treasurer's Report

Summary of Financial Condition

ASSETS	
Cash on Hand	\$2,189,766
Cash on Deposit	\$9,098,882
Loans to Members	\$73,598,931
Less: Allowance Loan Losses	\$(1,165,697)
Total Net Loans	\$83,721,882
INVESTMENTS	
Land & Buildings	
Net of Depreciation	\$1,045,367
Furniture, Fixtures & Equipment	\$265,218
NCUA Insurance Deposit	\$1,084,441
Other Assets	\$958,288
Total Assets	\$134,367,488
LIABILITIES	
Accounts Payable	\$1,306,249
Dividends Payable	\$1,577
Total Net Liabilities	\$1,307,826
MEMBERS EQUITY	
Member Deposits	\$122,857,665
Retained Earnings	\$6,745,366
Statutory Reserves	\$3,456,631
Total Liabilities & Member's Equity	\$134,367,488

Statement of Income

OPERATING INCOME	
Income from Loans	\$4,452,050
Income from Investments	\$836,352
Total Income	\$5,288,402
EXPENSES	
Member Dividends	\$361,595
Provision for Loan Loss	\$1,555,465
Total Expense	\$1,917,060
Net Income after Provision	\$3,371,342
NON-INTEREST INCOME	
Fee Income	\$833,354
Other Operating Income	\$129,628
Other Non-Operating Income	\$-
Total Non-Interest Income	\$962,982
Net Income	\$(182,570)
OPERATING EXPENSES	
Employee Compensation & Benefits	\$2,223,691
Training & Conference	\$30,037
Office Occupancy	\$237,396
Office Operations	\$1,416,872
Education & Promotion	\$129,767
Loan Servicing	\$149,592
Professional & Outside Services	\$230,576
Regulatory Agency Fees	\$-
Operating fees	\$24,508
Miscellaneous Operating Expense	\$74,455
Total Operating Expenses	\$4,516,894

Charlotte Caldwell, Chief Financial Officer

