

MISSION

The mission of Austin Federal Credit Union is to provide superior cost effective financial services responsive to the evolving needs of the membership.

VISION

Austin Federal Credit Union is the Austin community's premier financial institution enabling its members to build better financial lives for themselves and their families.



AUSTIN FCU ANNUAL MEETING

STATEMENT OF FINANCIAL CONDITION

Assets	2016	2017
Loans to members	11,871,734	12,766,653
Loan Participations	0	6,121,833
Allowance for loan loss	(21,829)	(47,407)
Cash	535,584	380,752
Investments	18,656,819	9,624,586
Land	500,000	500,000
Building	1,213,253	1,186,176
Furniture and Fixtures	114,927	145,157
NCUSIF	290,710	305,072
Other assets	121,093	261,472
Total Assets	33,282,291	31,244,195
Liabilities, Savings, Equity		
Member Shares & deposits	30,834,806	28,757,353
Accounts payable	206,388	157,375
Taxes payable	2,557	50,195
Dividends payable	11	4
Other liabilities	(5,236)	(12,322)
Regular reserves	821,990	821,990
Undivided earnings	1,421,775	1,469,599
Total Loans & Equity	33,282,291	31,244,195
Classification of Loans Outstanding		
Current and < 2 months	11,746,920	12,850,666
2 to less than 6 months	89,515	65,604
6 to less than 12 months	35,299	15,735
12 months and over	0	2,674
Total Loans	11,871,734	12,766,653

BOARD OF DIRECTORS

Ed Shick, *Chairperson*
 Ron Jones, *Vice Chairperson*
 Lorraine Benhamou, *Secretary*
 Byron Warren, *Treasurer*
 Rick Beyer, *Director*
 Charles Chahda, *Director*
 Marvin Krabbenhoft, *Director*
 Kerry Laake, *Director*
 David W. Peterson, *Director*

SUPERVISORY COMMITTEE

Joe Nolan, *Chairperson*
 Amy Acuna, *Member*
 Ernie Prado, *Member*

TEAM

Mindy Bayer, *President*
 Sonia Ortiz, *Vice President*
 Rebeca Ventura, *VP of Lending*
 Matt Horsley, *Loan Officer*
 Nelda Ortuno, *Accounting Asst*
 Pat Richardson, *Senior MSR*
 Rudy Reyes, *MSR*
 David Juarez, Jr., *Teller*
 Pablo Juarez, *Teller*
 Idalis Ramirez-Soto, *Teller*
 Cecilia Ybarra, *Teller*

5:45 Doors Open/Registration

6:00 Business Meeting

Ascertain a quorum is present

Reading and approval of the minutes of the last meeting

Message from the President & Chairperson

Report of the Treasurer

Report of the Supervisory Committee

Elections

Unfinished Business

New Business

Adjourn

DOOR PRIZES WILL BE DRAWN AT ADJOURNMENT OF MEETING



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Report of the Supervisory Committee



The Supervisory Committee works to protect the interests of the credit union members by ensuring that there is appropriate oversight, required audits are conducted, and any audit findings are addressed and corrected.

The Supervisory Committee arranges for the primary financial audits to be conducted through contract with Credit Union Resources, Inc. Our contract was renewed for a three-year period beginning with 2017's Audit. Only minor record-keeping items were listed as findings for the 2017 audit, and those have been corrected.

We also conducted the bi-annual Verification of Member Accounts as of end of year 2017. We did not receive any disputes, and returned mail was verified with Austin FCU staff. The next Verification of Accounts is scheduled for 2019.

Other routine oversight activities conducted by the Supervisory Committee include monthly issuance of confirmation letters on all closed accounts to ensure that account closures are legitimate, review of bank reconciliations, and surprise cash counts. In addition to routine oversight, the Supervisory Committee performs some compliance reviews to reduce the audit costs to the credit union.

2017 Supervisory Committee members included Joe Nolan, Ernest Prado and Amy Acuna. The committee has a post office box that can be used to contact us if there are any questions or concerns. It is P.O. Box 40177, Austin, TX 78704.

The Supervisory Committee looks forward to another year of working with the Staff, Management, and Board of Directors in safeguarding member assets.

The Austin FCU Supervisory Committee

Message from the President & Chairman

Austin FCU is lucky enough to be celebrating our 51st year of serving our membership in 2018. The staff, management and the Board of Directors are so thankful to you, our members, for continue to entrust us with caring for your hard-earned money. We do not take that trust lightly, and have been working diligently over the last year to move the credit union in a direction that will allow us to be around for the next 51 years (and beyond) to serve not only our current members, but hopefully their children and grandchildren as well.

At its original inception, Austin FCU (then the Veteran's Affairs Department Processing Center FCU) was founded by employees of the VA who were looking to be able to offer competitive savings and loan rates to their coworkers through the use of a financial cooperative. For many years, the majority of credit union members were VA employees. Some of those employees shared benefits of credit union membership with family members and their children. Fast forward 50 years, and that majority still exists, however those VA employees are now VA retirees. We've found ourselves in a position where 58% of total share balances in the credit union are held by members aged 65+.

Maintaining a stable credit union is a delicate balance. We need a certain mix of savers, borrowers and spenders to ensure the credit union's success. For many years, as those VA retirees continue to dominate the membership, the mix has drifted towards becoming saver-heavy. To move back towards the optimal mixture of savers, borrowers and spenders, we as the Board of Directors and Management have made some changes to incentivize spenders and expand our lending capabilities. While it is true that we suspended dividends on the regular savings accounts as of June 2017, we have also introduced several new rewards checking accounts, one of which offers a dividend rate 40x what our regular savings was paying. This summer, we will be moving to a new loan origination system that will allow our well-qualified members to get instant approval for loan applications, opening our lending staff up to assist members who may have had some credit hiccups through our Fresh Start and Pronto loan programs.

We've also been making efforts to get more connected with our community. Did you know that you can message an Austin FCU team member via Facebook and Instagram? If you aren't following us already on social media, you should be – we share news and events, and even do the occasional giveaway. The Austin FCU Scholarship is back, offering \$500 towards school expenses for a graduating high school or college student member. We also hope you'll join us for Saturday Seminar Series this summer, and our 2nd Annual Family and Shred Day this fall.

As our community and the world around it evolves, so must Austin FCU. It's our goal to be here for many years to come, and we appreciate the support of our loyal members. 2017 was a positive year, in both income and growth for the credit union and its staff in our mission to help build better financial lives for our members and their families. Here's looking forward to an even better 2018!

*MINDY BAYER, President
ED SHICK, Chairman*

★ 2017 Annual Meeting Minutes ★

April 19, 2017

Directors Present:

Ed Shick, Chairman	Charles Chahda
Ron Jones, Vice Chairman	David Peterson
Byron Warren, Treasurer	Marvin Krabbenhoft
Lorraine Benhamou, Secretary	Rick Beyer
Kerry Laake	

Staff Present:

Mindy Bayer, President	Nelda Ortuno, Accounting Assistant
Sonia Ortiz, VP Operations	Nico Mingote, Member Service Rep
Rebeca Ventura, VP Lending	Dominic Ghioldi, Teller
Pat Richardson, Senior MSR	Rudy Reyes, Teller
Matt Horsley, Loan Officer	Swietenia Palacios, Teller

Ed Shick called the meeting to order at 7:30 pm at Mercury Hall, 615 Cardinal Lane, Austin, Texas. He determined that a quorum was present.

A motion was made by Linda Cole and seconded by Ron DeFord to approve the minutes of the 2016 Annual Meeting. The motion carried unanimously.

Ed Shick gave his Thanks to the Staff of Austin FCU and introduced, Mindy Bayer. Mindy Bayer gave the President & Chairman's Report. Byron Warren spoke on the challenges faced by a small credit union in balancing savings and loan demand and allowed Mindy Bayer to present the remainder of the Treasurer's Report. Mindy Bayer introduced Amy Acuna, the Supervisory Committee member in attendance, and presented the Supervisory Committee's report.

Mindy presented the three nominees for board re-election: Lorraine Benhamou, Ron Jones and Byron Warren. Benny Arrellano made a motion to elect the slate of candidates by acclamation. Linda Cole seconded the motion. The motion carried unanimously. Ed Shick declared the slate elected by acclamation. Ed Shick asked if there was any unfinished business. There was no unfinished business.

Ed Shick asked Mindy Bayer to discuss the new business. Mindy presented information on Austin FCU's change to a new web bill pay service; our upcoming Shred Day; the summer School Supply Drive; and our new Saturday opening schedule. Mindy also did a presentation to introduce the Austin FCU staff.

Mindy Bayer completed the drawing for the \$500 Grand Prize. Other prizes throughout the night included 2 \$50 cash prizes, a Jack Daniels Fire set (donated by A&B Liquor), a Family 4 pack of Movie Passes and a \$25 Sugar Mama's Bake Shop Gift Card.

The meeting adjourned at 8:00pm.

Report of the Treasurer

As the Treasurer for your Board of Directors, I meet monthly with the Board as well as the Asset/Liability Committee (ALCO). Each month, we analyze asset size, loan growth and investments (as well as other factors), and work with staff to ensure the financial success of your credit union.

Many of you may remember the unprecedented asset and savings growth that we saw in 2016, and their effect on the regulatory environment that the credit union was facing. The Board of Directors is happy to report that as of EOY 2017, we were able to slow asset growth and attain a Net Worth Ratio of 7.00%. Savings and assets were down 10.56% and 6.7%, respectively. We also saw an increase of 4.89% in loans granted by Austin FCU, with the largest increases since EOY 2016 being in the New Car, Home Equity and Share Secured loan categories. In order to increase loan income, we also purchased almost \$6 million in Loan Participations in 2017, resulting in an additional \$68,800 in income for 2017 (because of the increase of loans on our balance sheet, we also added \$43,600 to our Allowance for Loan Losses account, resulting in a net increase in income of \$25,200 for Loan Participations).

Standard investment options remained limited in 2017, with certificate and agency bond rates staying on the low end. Due to the persistent low rate environment we've been living in, Austin FCU Share rates also remained low in 2017, finally being discontinued in June. Around that time, we decided to partner with a company based here in Austin called Kasasa®. Kasasa® specializes in helping small community financial institutions such as ourselves find ways to incentivize active membership, and reward members for behaviors they are probably already doing. They do this by facilitating the split of interchange and fee income between the credit union and the members who are a part of it. This results in the ability for us to offer Cash Back, Dividends or Rebates on our checking accounts. Members who participate in one of our Kasasa® accounts will likely earn much more for their funds than they have with Austin FCU in a very long time.

In 2017, the Co-Op Network of Shared Branching redid their fee structure so that credit unions who were "issuer only," like us, who allowed their members to use the network but did not allow other credit union members to use our facility, would see increased expenses to continue with the network. At that time, we made the decision to become an "Acquirer" credit union, allowing other Co-Op Network Credit Union members to visit our branch and transact business on accounts at their home credit unions. This change has since resulted in a net income for the credit union of nearly \$1,000/month, allowing us to continue to offer Shared Branching as a service to our members without the added cost.

The loan department has been hard at work to keep loan growth positive for 2018 as well. Q1 2018 loan growth is at 3.29%, and we anticipate higher numbers as we bring our new loan approval system online in the coming weeks.

As usual, the staff of the credit union works hard to keep operating expenses down, while maintaining a high level of service. Your Board of Directors and the Credit Union Staff will continue to monitor assets, liabilities, and net worth; managing the growth of the credit union while looking for innovative and safe ways to expand and diversify our business.

Byron Warren, *Treasurer*