
2014

ANNUAL REPORT

ORNL FEDERAL



CREDIT UNION



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MESSAGE FROM THE BOARD CHAIR

On behalf of your Board of Directors, I can report that your Credit Union is financially strong, and more committed than ever to delivering member value. Our original ten members sought to build a financial institution to serve the community through a healthy credit union. We continue this effort today with a mindset firmly rooted in the strength of our history, but also with a present motivation to be the best financial partner for our members by delivering unparalleled, enhanced member value.

In 2014, we delivered significant member value in the form of market-leading rates, branch convenience, superior service, and enhanced infrastructure security. We are excited about 2015, and we look forward to the innovative ways to return value to you.

We have invested in our membership, supporting

them through both good and challenging times, and 2014 built upon our firm foundation. Our continued commitment to hire, develop, and retain excellent employees is the primary driving force behind our ability to deliver enhanced value to our members. The product of these investments is our ability to support the financial dreams of our members.



Marcy Catron,
Board Chair

Our singular focus is helping our members develop a healthy relationship with their money. To that end, we will nurture recent innovation, build new products and services, and cultivate deeper member relationships.

We will continue to help members make today count, realize their dreams, and *thrive!*

A handwritten signature in black ink that reads "Marcy Catron". The signature is fluid and cursive.

TREASURER'S REPORT

Net Income of \$10.3 Million added capital to support profitable growth. ORNL FCU remains well capitalized (as defined by the NCUA) with a Net Worth Ratio of 11.14% at the end of 2014.

19% **2014**
CONSUMER
LOAN GROWTH

Total Assets ended the year at \$1.604 Billion—an increase of \$111.6 Million (or 7.48%).

Consumer Loan balances increased by \$102.3 Million, ending the year at \$640.7 Million resulting in 19.00% portfolio growth. The improving economy, continued low-interest rate environment, and strong demand for vehicle loans contributed to these results.

Mortgage Loan balances increased by \$16.9 Million, ending the year at \$576.9 Million. ORNL FCU remains one of the top 5 mortgage lenders within its 16 county charter area. Mortgage loan officers originated over \$100 Million in new mortgage loans in 2014. The continued low-interest rate environment also caused refinance activity to decline dramatically for all financial institutions.

Business lending remains a

challenging line of business with loans declining by \$16.7 Million—the second consecutive year of declining portfolio balances. To combat fierce competition and to reverse this trend, in 2015, the Credit Union will invest in new technology to provide the cash management services desired by the business community.

Total Deposits increased by \$71.1 Million (or 5.74%), ending the year at \$1.308 Billion in total balances.

The majority of the deposit growth was concentrated in Share Draft and Money Market categories which increased by \$24.7 Million and \$50.5 Million, respectively. This growth resulted from attractive rates and the anticipation of higher future interest rates.

5.74% **INCREASE IN**
TOTAL DEPOSIT
BALANCES

The combination of both loan and deposit growth resulted in a loan to deposit ratio of 98.3% at year end, a 2.7% increase from 2013. By delivering attractive products and services at competitive prices, ORNL FCU remains the preferred Credit Union in Eastern Tennessee.

CONSOLIDATED STATEMENT OF CONDITION

| | 2014 | 2013 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Cash & Cash Equivalents | \$ 83,265,985 | \$ 67,323,864 |
| Total Investments | \$ 138,259,694 | \$ 154,874,053 |
| Gross Loans | \$ 1,286,495,448 | \$ 1,184,030,088 |
| Allowance for Loan Losses | \$ (9,990,426) | \$ (10,119,023) |
| Net Loans | \$ 1,276,505,022 | \$ 1,173,911,065 |
| Accrued Interest Receivable | \$ 3,239,183 | \$ 3,064,663 |
| Total Fixed Assets | \$ 37,211,292 | \$ 31,542,488 |
| Total Other Assets | \$ 65,682,670 | \$ 61,813,282 |
| Total Assets | <u>\$ 1,604,163,846</u> | <u>\$ 1,492,529,415</u> |
| LIABILITIES and MEMBERS' EQUITY | | |
| <u>Liabilities</u> | | |
| Total Deposits | \$ 1,308,497,084 | \$ 1,237,419,469 |
| Borrowed Funds | \$ 88,512,864 | \$ 64,417,769 |
| Total Other Liabilities | <u>\$ 32,935,162</u> | <u>\$ 25,001,192</u> |
| Total Liabilities | <u>\$ 1,429,945,110</u> | <u>\$ 1,326,838,430</u> |
| <u>Members' Equity</u> | | |
| Total Members' Equity | \$ 174,218,736 | \$ 165,690,985 |
| Total Liabilities & Equity | <u>\$ 1,604,163,846</u> | <u>\$ 1,492,529,415</u> |

CONSOLIDATED INCOME STATEMENT

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Total Interest Income | \$ 52,530,962 | \$ 53,302,807 |
| Total Interest Expense | \$ 6,264,717 | \$ 6,662,923 |
| Net Interest Income | \$ 46,266,245 | \$ 46,639,884 |
| Provision for Loan Loss | \$ 5,225,000 | \$ 5,650,000 |
| Net Interest Income after Provision | <u>\$ 41,041,245</u> | <u>\$ 40,989,884</u> |
| Total Non-Interest Income | \$ 30,827,651 | \$ 32,345,057 |
| Total Operating Expense | \$ 60,884,395 | \$ 59,382,833 |
| Income/(Loss) from Operations | \$ 10,984,501 | \$ 13,952,108 |
| Non-Operating Gain/(Loss) | <u>\$ (666,659)</u> | <u>\$ 1,315,123</u> |
| Net Income | <u>\$ 10,317,842</u> | <u>\$ 15,267,231</u> |



2014 SUPERVISORY COMMITTEE REPORT

The Supervisory Committee, appointed by the ORNL FCU Board of Directors, is responsible to ensure that our Credit Union's financial records are in order and the necessary internal controls are in place to protect our members' assets. The Supervisory Committee performs these functions by reviewing the data from internal and external financial audits and by testing and monitoring internal controls and business practices.

To assist in the execution of these responsibilities, the Committee engages several external audit and testing companies. The firm Nearmna, Maynard, Vallez, CPAs is currently auditing our Credit Union's financial status for the year ending 12/31/2014. This audit's goals are to determine the reliability and integrity of our CU's financial operating information and to review our CU's compliance with generally accepted accounting principles.

The Internal Audit Program, under the direction of the Supervisory Committee, provides a risk-based, ongoing review of compliance with CU policies

and procedures. This program also includes an annual inspection of internal controls, physical and cybersecurity systems, cash, member loans, and other assets of your Credit Union. Additionally, this past year a Bank Secrecy Audit (BSA) and an Information Technology Audit were performed by our external auditing partners. The 2014 audit program found no major issues.

Additional Supervisory Committee actions during 2014 included: creating monthly reports documenting Supervisory Committee activities; attending monthly Board of Directors meetings; completing committee member certification programs; meeting with members of the management team; handling member complaints when directed by the NCUA; and participating in the CU's strategic planning activities. The Supervisory Committee is pleased to report our Credit Union continues a tradition of excellent financial manages and compliance.

2014 NOMINATING COMMITTEE REPORT

The ORNL Federal Credit Union Nominating Committee reviewed the qualifications of members who submitted their names for consideration as candidates for the Board of Directors. We hereby nominate the following three individuals (listed in alphabetical order) for the three positions to be filled by the election at our credit union's 67th Annual Meeting on March 5, 2015:

Leigha Edwards, Randy Gorman, Jama Hill

There were no candidate petitions filed with the credit union this year.

Respectfully submitted,

Sam McKenzie, Chair

Herb Debban

Joe Setaro

MINUTES OF THE 66TH ANNUAL MEETING

1. CALL TO ORDER

a. Welcome. The 66th Annual Meeting of the ORNL Federal Credit Union (operating under NCUA Charter No 5797, issued August 6, 1948) was called to order at 6:00 p.m. by Marcy Catron, Chair of the Board of Directors. Ms. Catron stated that, in accordance with Credit Union Bylaws, the meeting would be conducted in adherence with Robert's Rules of Order, and that Wayne Hood, Senior Vice President and General Counsel would be serving as Parliamentarian.

b. Quorum Determination. Ms. Catron announced that a sufficient number of members were present to constitute a quorum.

c. Purpose. Ms. Catron stated that the purposes of the meeting were to provide the annual financial and audit reports to the membership, announce the results of the Board of Directors election, and to introduce the newly elected Board Members.

2. MINUTES OF THE 65TH ANNUAL MEETING

A motion was made, seconded, and passed to approve the Minutes as printed in the 2013 Annual Report.

3. ANNOUNCEMENT OF BOARD MEMBERS

a. Current Board Member Recognition. Ms. Catron introduced the current Directors, Supervisory Committee members, and members of the Nominating Committee as listed in the Annual

MINUTES OF THE 66TH ANNUAL MEETING (CONT.)

Report and thanked them for their service.

b. Report of the Nominating Committee.

Members of the committee were Randy Gorman, Chair; Jim McKinley; and Joe Setaro. Mr. Gorman referred to the Nominating Committee's report as published in the 2013 Annual Report. Nominees were Herb Debban, Harvey Gray, Wanda McCrosky, and Deborah Stairs for three available positions on the Board of Directors, all of which were for a three-year term.

c. Report of the Supervisory Committee.

Vice Chair of the Supervisory Committee, David Watkins reported on the election, which the Committee oversaw. He noted that the Credit Union Executives Society (CUES) was responsible for administering the voting process, maintaining member confidentiality, and destroying voting records within 60 days of the Annual Meeting. Mr. Watkins thanked the members of the Supervisory Committee and the Credit Union's Internal Auditing team for their work in ensuring the process was successful. Mr. Watkins reported that 1,323 votes were cast by the membership between February 19 and February 28, 2014. He announced that based on total member votes received that Wanda McCrosky, Harvey Gray, and Deborah Stairs were elected to serve on the Board of Directors for a term of three years. He then congratulated the newly elected Directors.

Ms. Catron thanked Mr. Watkins and congratulated the elected Directors. She also thanked Cindy Mayfield, who was interim Director for one year, by presenting Ms. Mayfield with a framed, 2014 Dogwood Arts print.

4. REPORTS

a. Treasurer. Treasurer Jama Hill referred to the printed Treasurer's Report contained in the 2013 Annual Report. She remarked that the Credit Union had earned record profits for the second consecutive year, total assets had increased in 2013 by \$55.8 Million, and that the Credit Union remains the third largest in the state of Tennessee. Ms. Hill expressed her pride in serving as Treasurer and thanked the membership for coming. There were no questions about the Treasurer's Report.

b. Supervisory Committee. Committee Chair Harvey Gray referred to the printed Supervisory Committee's Report contained in the 2013 Annual Report, noting that the year had been very successful for both the Supervisory Committee and the Internal Audit Team. He remarked that the third-party external audit by Nearman, Maynard, and Vallez CPAs was very good, with no significant

or regular findings. Mr. Gray commended the entire staff, the Supervisory Committee, and the Internal Audit Team on these results.

c. President and Chief Executive Officer's Report.

President and CEO Chris Johnson expressed his thanks and appreciation for the Board of Directors. He acknowledged Director Herb Debban, commending him for his many years of service and significant contribution to the Credit Union. Mr. Johnson welcomed the new Directors, and thanked members for being in attendance.

Mr. Johnson then introduced the members of the Executive Team: Melodie Godfrey, Executive Vice President & COO; Colin Anderson, Senior Vice President & CFO; Wayne Hood, Senior Vice President & General Counsel; and Larry Jackson, President of CU Community (the wholly owned subsidiary Credit Union Service Organization, or CUSO).

Mr. Johnson next addressed the membership, giving his presentation over topics which included the Credit Union's Net Worth/Net Income, employee engagement initiatives, the "Don't Tax My Credit Union" taxation initiative, and ways in which the Credit Union would continue to deliver value to its membership in the forthcoming years.

There were no questions about the President's Report.

5. OLD BUSINESS.

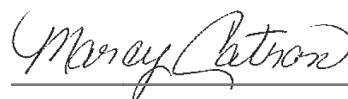
None.

6. NEW BUSINESS.

None.

7. ADJOURNMENT.

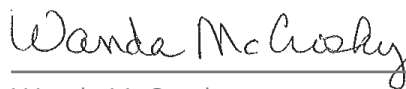
There being no further business, the meeting was adjourned at 6:41 p.m.



Marcy Catron, Board Chair

03/05/2015

Date



Wanda McCrosky

03/05/2015

Date

2014

MEMBER VALUE



Focus Money Manager

A single view of all your finances. Creating a budget and managing your money has never been easier, even with those secret, non-ORNL FCU accounts.



Market-Leading Rates

Our 1.69% APR spring and summer auto rate made 1,866 members realize the value of Happy Money. Our Share Certificate rates are market-leading as well!



Deposit ATMs

Time-saver alert! Members can now make check and cash deposits 24/7 at any of our Deposit ATMs.



Enhanced Branch Design

A new design for our Food City in-store branches provides a better member experience.



Community Impact

Employee participation 200+; Organizations sponsored 100+; Community impact \$400,000+.



Enhanced Performance Network

Self-healing Branch network connectivity = uninterrupted service.

2015

MEMBER VALUE



Brand

2015 marks the beginning of a new financial philosophy via a refreshed brand.



Mobile Banking App

Mobile check deposit, payment scheduling, Quick Balance viewing, Focus Money Manager, and more!



Facility Remodels

Expect new branch design with easy-to-use technology in 2015. Our new Interactive Teller Machines combine the convenience of an ATM with the personal service of a live teller.



Rewards

A new concept will incentivize the most engaged members and offer an easy way to save.



Apple Pay

Use your favorite ORNL FCU card to pay for your daily purchases with industry leading technology.



EMV Cards

Additional security and fraud protection for your debit and credit cards.

OFFICIALS

BOARD OF DIRECTORS

Marcy Catron, Chair
Randy Gorman, Vice Chair
Jama Hill, Treasurer
Wanda McCrosky, Secretary
Leigha Edwards
Harvey Gray
Sam McKenzie
James Payne
Debbie Stairs
Wayne Hood, Recording Secretary

SUPERVISORY COMMITTEE

David Watkins, Chair
Joel Pearman, Vice Chair
Gerald Smith, Secretary
Mary Kiser
Mary Beth Blair

NOMINATING & ELECTION COMMITTEE

Sam McKenzie, Chair
Herb Debban
Joe Setaro

EXECUTIVE COMMITTEE

Marcy Catron, Chair
Randy Gorman, Vice Chair
Jama Hill, Treasurer
Wanda McCrosky, Secretary

LEGISLATIVE & GOVERNMENTAL AFFAIRS COMMITTEE

James Payne, Chair
Leigha Edwards
Harvey Gray
Randy Gorman
Sam McKenzie

VOLUNTEER POLICY & GOVERNANCE COMMITTEE

Wanda McCrosky, Chair
Randy Gorman
Sam McKenzie
Debbie Stairs

EXECUTIVE MANAGEMENT

Colin Anderson, President/CEO (Interim)/Chief Financial Officer
Dawn Brummett, Senior Vice President/Chief Credit & Operating Officer
Janita Clausell, Senior Vice President/Chief Member Experience Officer
Wayne Hood, Senior Vice President/Chief Legal Officer
Larry Jackson, President, CU Community, LLC
Paul Morris III, Senior Vice President/Chief Information Officer
Tommy Smith, Senior Vice President/Chief Marketing Officer
Joy Wilson, Senior Vice President/Chief People Officer

