

# 2016

ANNUAL REPORT



This credit union is federally insured by the National Credit Union Administration.



## REPORT OF THE **CHAIRMAN**

When we were preparing for our 2016 Member Service Survey, it was very important to obtain the members' feedback regarding technology-based service delivery channels. The Board of Directors and senior leadership are committed to ensuring we meet the membership's service preferences. Therefore, several new questions were added asking respondents to share their priorities concerning interest on deposits, loan rates, and preferences for conducting transactions on their accounts. The majority of our members asked for exceptional electronic delivery choices, such as mobile banking and mobile deposit functionality. They also shared that higher interest on deposits was essential, and they would willingly accept more self-serve options in return for a better return on their money.

Based on these responses, the Board and senior leadership updated our strategic initiatives and began focusing on three key projects. The first project was to begin raising interest rates on deposits and design a special certificate of deposit that provides for a one-time rate increase at the member's discretion during the initial maturity period. This new Bump Rate Certificate has proven to be very popular with the membership, and has encouraged us to continue to look for unique ways to fulfill everyone's financial needs. The second project is to replace our current ATM fleet with new ATMs that offer automated check and cash imaged deposits. Installation is scheduled for April through June 2017. The third project is to implement video-conferencing teller units at each branch. Deployment will begin May 2017 and be completed in June 2018. Video-conferencing teller units provide for a live, personalized interaction with a centralized Personal Financial Assistant from 8:00 a.m. to 8:00 p.m. central time Monday – Friday, and 9:00 a.m. to 3:00 p.m. on Saturday. Times may vary based on the branch location, and more specific information will be located on our website at [www.itcu.org](http://www.itcu.org).

Lastly, senior leadership will continue to work with our technology partners to bring you a safe and progressive mobile banking platform. Our current platform offers mobile deposit capture, person-to-person funds transfer capabilities, account-to-account transfers, instant balance views, and many other important transaction requests.

We are committed to enhancing our members' financial well-being, and are appreciative of the opportunities you afford us to fulfill our fiduciary responsibilities. InTouch Credit Union's future is bright and it is because of our loyal membership.

Respectfully,

Nancy Pressel  
Chairman, Board of Directors



## REPORT OF THE **AUDIT COMMITTEE**

The Audit Committee continues to place an emphasis on safety and soundness; adherence to regulatory requirements; protection of our members' personal information; and fraud management. These are all crucial components that could have a significant impact on the members and the Credit Union if robust controls are not in place. We rely heavily on the state and federal examiners, internal and external auditors, risk management, external training, and industry white papers to validate the operating procedures utilized to manage the Credit Union. The Audit Committee is pleased to share that leadership continues to follow solid business practices, which has resulted in positive audit findings.

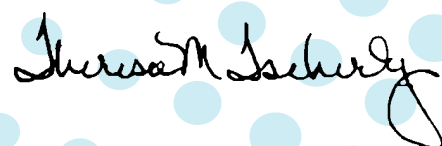
Nearman, Maynard & Vallez, a certified public accounting firm, conducted a comprehensive annual audit and discussed the results with the Audit Committee and senior staff. Within the scope of their 2016 audit, no material internal control weaknesses were identified. Additionally, they found the Credit Union's financial statements conform to accounting principles generally accepted in the United States of America.

The internal auditors, Cindrich, Mahalak & Co., P.C., Credit Union Resources (CUR), and the Risk Management Team, conducted numerous reviews in 2016. These reviews have consistently found the Credit Union functions in an operationally secure manner.

Cyber security remains a top priority for the Credit Union. We contracted with a well-known cyber security firm to conduct social engineering, penetration testing, and technology protocol audits in 2016. The results of these vital audits confirmed that leadership adheres to appropriate technology standards.

A complimentary copy of the audited financial statements may be obtained at any branch, by contacting Member Care at (800) 337-3328, option 5, or submitting an email request to [reports@itcu.org](mailto:reports@itcu.org).

Respectfully,



Theresa M. Tschirky  
Chairman, Audit Committee





## REPORT OF THE **PRESIDENT**

If the events of 2016 proved anything, they demonstrated the unexpected is always possible regardless of how unlikely or improbable those choices may initially appear. Several global, economic, and politically established norms signaled a change in direction, and all are being equally pursued at stampede-like speeds. Nevertheless, these moments validate the importance of staying true to essential values while embracing the flexibility needed to thrive in the new environment. There is little doubt the new environment will produce an onslaught of regulatory, financial, and competitive challenges designed to disguise the real intent of what is being sought, making it difficult for not-for-profit credit unions to grow. So it is crucial to teach and articulate the differences between credit unions and banks.

As financial institutions, credit unions are distinct entities with a unique service focus. Credit unions are member-centric financial institution cooperatives without the burden of producing quarterly profits to meet stockholders' financial interests ahead of the membership. A credit union member is a partial owner of the institution, and as such, relies on democratically elected oversight volunteers to ensure the membership's collective interests are served. Moreover, InTouch Credit Union exclusively aspires to be exceptional within the credit union movement by delivering concierge financial services with a value and passion to help you achieve your goals. Simply put, we were created and designed to be your financial services advocate. We are here to help you successfully navigate and achieve your financial objectives in this current "buyer beware" adversarial environment. Creating a safe port in a financial storm that seems rigged against you; it is our mission and why we exist.

This approach is not without its challenges. InTouch Credit Union serves over 91,000 members with different individual service expectations, product desires, and access requirements. As the membership continues to expand and use cutting edge delivery and communication systems to manage their money, we are driven to invest in ways intended to exceed your expectations. I am very pleased to report that 2016 represented the fourth consecutive year of positive membership growth. The membership, as a whole, has not only remained loyal and communicated their satisfaction of service delivery, but more new members than ever are joining based on the positive experiences of existing members shared through several employer, community, and social media referral channels. It is our vision that your investment in the Credit Union provides you with the greatest return possible over short- and long-term horizons.

Thank you for your loyalty and membership. I am honored to serve as your President and CEO, and look forward to new opportunities to exceed your expectations, deliver outstanding value, and provide an exceptional, personalized service experience at InTouch Credit Union.



Sincerely,

Kent L. Lugrand  
President and CEO

## STATEMENT OF INCOME

### INTEREST INCOME

January through December	2016	2015
Interest on Loans to Members	\$23,654,739	\$23,199,468
Interest on Investments	\$2,818,707	\$3,682,005
<b>Total Interest Income</b>	<b>\$26,473,446</b>	<b>\$26,881,473</b>

### INTEREST EXPENSE

Dividends on Members' Shares	\$753,151	\$846,742
Interest on Borrowed Funds	\$911,441	\$4,569,542
<b>Total Interest Expense</b>	<b>\$1,664,592</b>	<b>\$5,416,284</b>
<b>Net Interest Income</b>	<b>\$24,808,855</b>	<b>\$21,465,190</b>
<b>Provision for Loan Loss</b>	<b>\$3,513,213</b>	<b>\$2,957,677</b>
<b>Net Interest Income After Provision for Loan Loss</b>	<b>\$21,295,642</b>	<b>\$18,507,513</b>

### NON-INTEREST INCOME

Service Charges, Fees, and Other Operating Income	\$10,317,784	\$9,853,157
Net Gains (Losses) on Sales of Assets	\$630,001	\$7,762,448
<b>Total Non-Interest Income</b>	<b>\$10,947,785</b>	<b>\$17,615,605</b>

### NON-INTEREST EXPENSE

Compensation and Benefits	\$16,807,464	\$15,357,225
Operations	\$15,320,830	\$15,308,721
<b>Total Non-Interest Expense</b>	<b>\$31,128,294</b>	<b>\$30,665,946</b>
<b>Net Income</b>	<b>\$115,133</b>	<b>\$5,457,172</b>

## STATEMENT OF FINANCIAL CONDITION

### ASSETS

January through December	2016	2015
Cash and Cash Equivalents	\$63,928,753	\$38,445,106
Investments	\$60,394,004	\$108,047,693
Loans to Members, Net	\$607,113,125	\$581,747,147
Accrued Interest Receivable	\$1,617,264	\$1,646,791
Property and Equipment	\$12,306,257	\$13,687,389
National Credit Union Share Insurance Fund Deposit	\$6,439,543	\$6,317,961
Other Assets	\$39,368,551	\$29,156,828
<b>Total Assets</b>	<b>\$791,167,497</b>	<b>\$779,048,915</b>

### LIABILITY AND MEMBERS' EQUITY

<b>Liabilities</b>		
Member Shares	\$698,655,733	\$679,478,675
Accrued Expenses and Other Liabilities	\$20,696,527	\$27,800,735
<b>Total Liabilities</b>	<b>\$719,352,260</b>	<b>\$707,279,410</b>

### MEMBERS' EQUITY

<b>Liabilities</b>		
Unrealized Gain (Loss) on Investments	\$(1,203,390)	\$(1,133,989)
Reserves	\$73,018,627	\$72,903,494
<b>Total Liability and Members' Equity</b>	<b>\$791,167,497</b>	<b>\$779,048,915</b>





## BYLAW CHANGES

- Employees of Atrium Hospitality, LP and its majority owned subsidiaries, including employees of any successor(s) in interest, on-site contractors/vendors who have a business relationship with Atrium Hospitality and regularly work on Atrium Hospitality facilities at one or more Atrium Hospitality locations throughout the United States and members of the family of such persons, except foreign nationals at foreign locations
- Persons who live, worship, attend school or work in Oakland County, Michigan
- Persons who are Conference USA student-athletes, faculty, coaches, athletic department administrators and employees, Conference USA employees and members of their families
- Persons who live, worship, attend school or work in Fairfax County, Virginia
- Persons who live, worship, attend school or work in Loudon County, Virginia
- Persons who live, worship, attend school, or work in Whitney, Winchester, Las Vegas, Enterprise, Sunrise Manor, North Las Vegas, Summerlin South, Spring Valley, Henderson and Paradise, Nevada
- Persons who are members of Friends of Consumer Freedom, Inc. that live or work in Collin, Dallas, or Denton Counties and members of their families

## BOARD OF DIRECTORS

<b>Nancy Pressel</b>	Chairperson, term ends in 2019
<b>Dan Crouse</b>	Vice-Chairperson, term ends in 2018
<b>John Roberts</b>	Secretary, term ends in 2018
<b>Chris Lipper</b>	Treasurer, term ends in 2018
<b>Teresa Tschirky</b>	Director, term ends in 2017
<b>Dimetria Jackson</b>	Director, term ends in 2017
<b>Lisa Papageorge</b>	Director, term ends in 2017
<b>Todd Taylor</b>	Director, term ends in 2019
<b>Terri Bryant-Harrell</b>	Director, term ends in 2019

## ADVISORY DIRECTORS

<b>Scott Baker</b>	
<b>Ronda Fraley</b>	
<b>Jodie Robinson</b>	
<b>John Shinneman</b>	
<b>Charleen Barnwell</b>	Effective 2/23/17

## SENIOR MANAGEMENT

<b>Kent Lugrand</b>	President/Chief Executive Officer
<b>J. Diane Gerstner</b>	Executive Vice President
<b>Robert McDonald</b>	Sr. Vice President/Chief Financial Officer
<b>Sammie Cantrell</b>	Sr. Vice President/Chief Administrative Officer
<b>Chris Carlson</b>	Sr. Vice President/Chief Risk Officer
<b>Tom Condos</b>	Sr. Vice President/Chief Information Officer
<b>Kathy Jumper</b>	Sr. Vice President/Chief Operations Officer