

2016 Annual Report



SOUTHERN
CHAUTAUQUA
FEDERAL CREDIT UNION

(716)665-7000 | www.665-7000.com



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2016 State of the Credit Union – President's Report

Welcome to the Eighteenth Annual meeting of the Southern Chautauqua Federal Credit Union. I take this opportunity to report to you, our members, on the State of the Credit Union.

2016 was a very eventful and successful year for our Credit Union. We continue to grow in membership, now over 13,000, and assets now over \$75 million. The Board of Directors meets monthly to support our great management and staff. They continue to provide our members with the best possible financial products and services in the area.

Southern Chautauqua has gone way beyond the normal expectation of a financial institution. Allow me to highlight some of them:

* The VITA program continues to expand with more of our staff being trained to prepare income taxes free of charge to Chautauqua County residents. 876 tax returns were filed with the help of 31 of our staff! This is all by volunteer staff!

Over \$1,299,000 was returned to filers! Congratulations and thank you staff!

* The Credit Union donated over \$8,500 to 75 local charities, community projects, and school organizations this past year.

* Our management and staff donated over 1000 hours of volunteer work to more than 40 local charities and community projects last year.

* Our CU employees worked hard to raise donations for our CU Scholarship Fund. The Fund provided six \$600 scholarships to graduating seniors from local schools. (Purchase a candy bar from one of our tellers to help out.) Thanks!



* Our staff collaborated with the Family Learning Zone at the Gateway Center and Greenpath to provide local residents with financial education – skills such as check writing, balancing a ledger, and steps needed to establish good credit.

* The Kids Credit Union continues to expand and now touches over 2000 students in eight school districts. There are now over 950 Kids Credit Union members saving their money and receiving an education in early financial planning.

* In 2015, the Credit Union began a new loan program using GPS. By placing a GPS unit in their car, a borrower would be able to get a loan for the purchase of a used car. A loan that they would otherwise not be eligible for. This has been very successful and has helped 591 individuals to buy a car in order to get many of them to work. There is currently over \$5.2 million in this loan portfolio.

* The Credit Union continues to lead all other local credit unions in what we give back to our members. \$73,000 per \$10 million in assets. Our dividend and loan rates along with reasonable fees makes SCFCU the best place to do your banking.

* Our last Federal NCUA Exam found all of our books and operations to be in order. We passed with flying colors! Did not get our hand slapped even once!

Thanks to our internal quarterly audit, Supervisory Committee and Compliance Department which keeps all of our management, staff and even the Board of Directors on the right path.

* We are happy to report an 84.51 % Loan to Share ratio and a capital ratio of 8.13 %. These are good solid numbers in comparison to other credit unions.

The CU was able to pay off a T.A.R.P. loan for \$1.7 million ahead of time which saved us over \$100,000. John Felton will have more to say about that.

Now to the two BIG events of the year 2016:

New Branch !

SCFCU purchased a full city block on East Second Street in Jamestown. We demolished all of the old houses and buildings there and constructed a wonderful new CU branch. This replaced the small, inconvenient branch on the JCC grounds. Thanks to G L Olson Contractors and all the other sub contractors for creating a great new branch with drive through ATM, drive through teller stations and lots of offices for loan transactions. Business is booming there.

Dedicated, committed, and ready to help.

New Core Processor !

At great expense and many hours of in house training, SCFCU took a major leap in October and November to convert to a new core processor called GBS.

(I think management and staff have a few other choice names for it and some of our members too). This platform houses all of our member data and home banking operations. Despite all of the preparations by GBS and here at the Credit Union, there were a few minor and a few major 'glitches' in the conversion.

We hope that those have been worked out and that the new system will be more efficient, providing for new operations, and being a lot cheaper than the old system.

Finally – this has been my longest report yet – Lots of Good News !

Southern Chautauqua Federal Credit Union looks forward to serving our Chautauqua County Community in the year to come. I wish you all a happy, healthy and financially secure 2017.

Boost, Believe In, Build and Support your Community !

Mel Feather

President SCFCU Board of Directors



We are striving to be your OFI

Only Financial Institution



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A Message From John...

Wikipedia describes The Troubled Asset Relief Program (TARP) as a program of the United States government to purchase toxic assets **and equity from financial institutions to strengthen its financial sector**. T.A.R.P. was signed into law by U.S. President George W. Bush on October 3, 2008. It was a component of the government's measures in 2008 to address the subprime mortgage crisis.

I believe that many thought T.A.R.P. was simply a bailout for the large banks whose lending actions were haphazard and irresponsible, perhaps in part it was.

A lesser known facet of T.A.R.P **was to purchase equity from financial institutions to strengthen its financial sector**. **A further look at the Equity purchase program: We (The U.S. Treasury) are designing a standardized program to purchase equity in a broad array of financial institutions. As with the other programs, the equity purchase program will be voluntary and designed with attractive terms to encourage participation from healthy institutions.**

The Management of Southern Chautauqua decided that this Equity purchase program was appropriate for our operation. The resulting boost of our capital ratio would allow us to continue to serve the residents of Chautauqua County. Little did we know how beneficial that decision would prove to be. In September of 2010 we received \$1,709,000.00 from the U. S. Treasury. Our Capital ratio, a key indicator of the strength of SCFCU, with said purchase of equity our capital ratio increased by more than 30%. Our capital ratio had declined slightly in 2006 and 2007 due to the aggressive growth of our assets. The U.S. Treasury agreed via approval of our application, that we were a healthy financial institution and therefore we were approved to participate in the program.

The Capital ratio is calculated by comparing the Credit Union's balances of our reserve accounts to our assets. During times of aggressive growth the reserve accounts normally lag due to the nature of lending. Southern Chautauqua would have been forced to stunt the growth of our institution, thereby allowing the reserve account funding to keep pace with the asset growth, by limiting the expansion of the Credit Union. With the Equity purchase program we were able to continue our expansion. The activities of the operation proved to be more than sufficient to replace the funds we received via the Equity purchase program from the Treasury and then some. Our success in replenishing our capital and successful management of the T.A.R.P funds also qualified SCFCU to return the Equity purchase funds of \$1,709,000 at a discounted rate, therefore netting \$119,000.00 additional profits in 2016. SCFCU is categorized as a well-capitalized institution.

I am very proud that SCFCU was a recipient of T.A.R.P as we are a great example of the success of the Equity purchase program.

John Felton

C.E.O

Your SCFCU Staff

Employee	Years of Service
Geraldine F	51
John F	30
Debra W	22
Kimberly M	14
David S	13
DeAn D	12
Heather K	12
Megan A	10
Rebecca H	9
Anne R	9
Amy B	9
Michelle W	9
Molly B	8
Amber R G	8
Amy J	8
Jennifer J	7
Melissa G	7
Teena C	7
Candace PW	6
Amber L G	6
Dana G	5
Shaa M	4
Candace M	4
Melissa P	4
Christine C	4
Charlene A	3
Janell J	3
Jenna Y	3
Lacey E	3
Madison K	3
Lindsay H	3
Jennifer R	3
Amy B	3
Alexandra M	3
Alexandria F	2
Melissa J	2
Courtney P	2
Heather S	2
Lindsay S	2
Leslea M	1
Steven O	1
Mary Beth M	1
Jolynn T	1
Lyndsey C	1
Caitlyn D	1
Thaddeus J	1
Mercedes S	1
Mackenzie S	1
Sarah C	1
Jane N	1

Our Board of Directors

Melvin Feather – President

William Caldwell – Vice President

James Casini – Secretary

Rodney Beckerink – Treasurer

Jared Chrispell – Board Member

Shawn Howard – Board Member

Ted Kapuscinski – Board Member

Taras Korol – Board Member

Bruce Hendricks – Board Member

Christine Fosberg – Associate Board Member

Supervisor Committee

Bruce Hendricks – Supervisory Chair

Beryl Emley – Supervisory Committee Member

Roberta Schruise – Supervisory Committee Member

Income Statement

as of 12/31/2016

OPERATING INCOME	
Income from Loans	\$ 3,983,884.83
Income from Investments	\$ 110,390.44
Income from Miscellaneous	\$ 1,284,828.80
TOTAL OPERATING INCOME	\$ 5,379,104.07
OPERATING EXPENSES	
Operating Expenses	\$ 3,660,175.09
Dividend Expenses	\$ 486,089.71
Non-Operating Expenses	\$ 719,020.89
TOTAL OPERATING EXPENSES	\$ 4,865,285.69
TOTAL NET INCOME	\$ 513,818.38

Statement of Financial Condition

as of
12/31/2016

ASSETS	
Consumer Loans	\$55,454,265.06
Real Estate Loans	\$5,021,193.56
Total Loans	\$60,475,458.62
(Less Allowance for Loan Losses)	\$(566,548.10)
Cash	\$3,511,949.11
Investments	\$7,221,000.00
Other Assets	\$4,780,909.40
TOTAL ASSETS	\$75,422,769.03
LIABILITIES & EQUITY	
Total Liabilities	\$562,425.56
Member Deposits	\$67,860,062.82
Non-Member Deposits	\$1,195,680.00
Total Deposits	\$69,055,742.82
Regular Reserve	\$445,708.39
Undivided Earnings	\$5,358,892.26
Total Reserves	\$5,804,600.65
TOTAL LIABILITIES & EQUITY	\$75,422,769.03



The success of SCFCU's innovative Kids' Credit Union program continued in 2016, with the expansion of the financial education and savings program to middle and high school students. The year ended on an especially positive note, with the news that SCFCU will be opening 2 in-school branches at Jamestown and Southwestern Central High Schools in 2017.

During the 2015-2016 school year, the Credit Union spent more than 500 hours in classrooms throughout Chautauqua County, offering monthly financial education classes to over 2,000 students in 8 school districts, and collecting weekly deposits. Our partnership with some schools spans more than a decade.

Students who choose to become KCU members are given a schedule to follow the growth of their money if they continue through the 10-year process. Currently, the KCU program has 950 members with over \$500,000 in savings and \$183,000 in CDs.



Growth
Commitment
Success
Integrity



Federally Insured by NCUA