

Giving Back

2015 Annual Report



SOUTHEASTERN
CREDIT UNION



A Letter to Our Members

From President/CEO E. Michael Gudely
& Chairman of the Board Jerry Permenter

Dear Members:

After a tremendously successful year in 2014, perhaps the best financial results ever reported by the Credit Union, your management team elected to make 2015 a year to Give Back.

As of January 1, 2015, Southeastern eliminated fees and charges totaling \$360,000 annually, to reduce the financial burden on our membership. Late in 2015, we again reduced some fees and charges, as much as 17%, to again benefit our members, not only for 2015, but for many years to come. While these changes do affect the Credit Union's bottom line, they do not cause a hardship or an erosion of financial strength. This effort to "give back," truly is a win-win, for members who had been paying these fees, and for the membership as a whole, who did not experience any decline in the financial strength of their Credit Union.

In 2015, we made over \$90,000 in charitable donations to many worthy causes like the Partnership Cancer Fund, the Cancer Coalition, Relay for Life, and United Way. Local schools benefited, from elementary schools to schools of higher education, including Valdosta State University and ABAC. Additionally, we provided \$7,000 in scholarships to our high school advisory board students. Our work with local public schools earned the credit union the designation of Community Partners in Education (CPIE) Large Business Community Partner of the Year (2015).

Last year marked our second annual food drive known as Fill-A-Truck, where the goal is to encourage our community to donate one tractor trailer of food items, and if successful, the Credit Union agrees to match by donating a second tractor trailer of food. Our second annual Fill-A-Truck food drive was a great success, benefiting Second Harvest of South Georgia. All food and proceeds go to those in need, and Second Harvest informs the Credit Union its food drive provides the equivalent of over 30,000 meals to underprivileged South Georgians.

We encourage employees to be part of our community and they do so in many ways. Whether in local churches or schools, civic clubs like Rotary and Kiwanis, or non-profit organizations such as LAMP (Lowndes Associated Ministries to People), CAC (Children's Advocacy Center), or the local Chamber of Commerce, you will find Southeastern employees working actively to make our community a better place to live.

While our theme in 2015 was to "give back," there was still the business of running a credit union and taking care of the membership. In 2015, we closed over \$15 million in first mortgage loans, assisting some members with a first time home purchase, and helping others move into a larger home for a growing family. We consider home ownership paramount to a strong community, and are proud of our increasing mortgage volume, supporting local home ownership.

As a credit union we provide a financial benefit to our members, primarily in lower rates on loans and higher rates on deposits. Our auto loan rates saved our members over \$600,000 in 2015. Once again, we continued to offer dividend rates far higher than the average bank deposit rates in the communities we serve. As a member-owned cooperative, we understand how important it is we provide true financial value for members of this Credit Union.

We were excited to complete our merger with Nashville Credit Union last year. The merger provided Nashville members with expanded services, locations, and technology. Our existing members received another location from which to conduct business, as well as added financial resources from which the credit union can expand its current product and service offerings.

Late in 2015, by recommendation of the Board of Directors, and approved by special vote of the membership, we were granted approval to convert from a federal charter to a state charter. This move creates far more flexibility in operations than our federal charter would allow. It does not mean, however, the Credit Union is no longer federally insured. Although our principal regulator becomes the Georgia Department of Banking and Finance, all shares and deposits at Southeastern Credit Union remain federally insured up to \$250,000.

As a financial cooperative, maximizing profit is not a focus for us – it is not what a credit union sets out to do. However, earnings are required to maintain capital levels at or above regulatory requirements. Growth in assets and in profitability allows us to expand and provide additional products and services to our member-owners. Net income in 2015 was a sound \$1,550,000, resulting in a return on assets of 0.70%. Our asset growth was also strong with total assets ending at \$221,596,000, an increase of 10.40%. While our capital ratios far exceed current regulatory requirements, in anticipation of upcoming regulatory requirements to increase these ratios, your Credit Union continues to be proactive in building a strong net worth that we project will be greater than the increased regulatory requirements, as early as 2017.



Yes, 2015 was a year to give back. As we hope is apparent, your Credit Union was prudent in its management of the organization, allowing material amounts of money to be given back to deserving members and organizations of our community, but all the while maintaining a strong and financially vibrant credit union, to serve members for decades to come.

We are committed to improving the lives of our member-owners. "Deliver value, provide legendary service" will remain the guiding principle of our work to help people achieve their hopes and dreams. We pledge to run a sound financial organization, for our members, by living the credit union credo, "people helping people."

Thank you for being a member. We value your membership and look forward to helping you make 2016 a great year. Our 62-year plus commitment to the principles of placing people before profit is how we can all continue to enjoy the benefits of our financial cooperative, Southeastern Credit Union.

As always, your comments and feedback are welcomed and encouraged. By sharing your thoughts and opinions, it allows us to make Southeastern an even better credit union than it is today.

Sincerely,

E. Michael Gudely
President/CEO

Jerry Permenter
Chairman of the Board





Supervisory Report H. Michael Beverly, Supervisory Committee

The Supervisory Committee is composed of a sitting member of the Board of Directors and two other volunteer credit union members, who by regulation cannot be members of the Board. The Committee is responsible for assisting the Board of Directors in its oversight of management to ensure the safety and soundness of the Credit Union. The Committee fulfilled its responsibilities through the engagement of an external financial auditor, internal control auditor, and review of all audit reports, each of which was subsequently followed by a full report to the Board of Directors. Additionally, the Committee reviews the National Credit Union Administration's (federal regulator) annual report of examination and provides a full report to the Board in addition to providing a complete copy of NCUA findings. Going forward, because of the credit union's conversion to a state charter, future regulator examinations will be conducted jointly by the NCUA and the Georgia Department of Banking and Finance.

At the conclusion of the December 31, 2015 external financial audit, the Committee met with the public accounting firm of Orth, Chakler, Murnane & Co. representatives to discuss the financial audit. The audit's findings resulted in OCM & Co. issuing an unqualified opinion (the highest possible opinion) concluding that in all material respects, the financial statements present fairly the respective financial position, changes in financial position and cash flows for the year.

The Committee also reviewed the results of the Credit Union's most recent regulatory examination, conducted by the NCUA. Results of the NCUA examination indicated that the Credit Union is financially sound. Examination results, NCUA recommendations and regulatory guidance are reviewed and acted upon by management in a timely manner. The Committee also reviewed the results of a local CPA firm of Brandon, Rackley and Dukes engaged to perform quarterly internal control agreed upon procedures. Results of those audits found that the Credit Union is in compliance with the tested agreed upon procedures.

The Committee is pleased to report the Credit Union continues to be well-managed and in strong financial condition. These results demonstrate Southeastern Credit Union's continued commitment to provide extraordinary value and service to each of you, the member-owners, while providing assurance that the financial condition is accurately stated and presented.

Sincerely,

H. Michael Beverly
Supervisory Committee



Treasurer's Report Diane Kilgore, Treasurer

As Treasurer of the Board of Directors, I am pleased to report that 2015 was another financially successful year for your Credit Union. Assets grew over 10% totaling \$221.6 million as of December 31, 2015.

Our loan portfolio ended the year at \$147.7 million, increasing \$15.8 million or 11.9% compared to prior year. Member shares grew \$19.2 million or 10.7% in 2015 ending with balances of \$198.8 million. For the year ending December 31, 2015 net income totaled \$1.55 million, a decrease from the prior year due to merger expenses and decreases in fees and charges to members. Return on Assets (ROA) was very positive at 0.70%. Total number of member-owners ended 2015 at 29,443, a 12.3% increase over the prior year. Net worth and liquidity levels grew during 2015 and remain strong.

During 2015, your Credit Union produced strong financial results while giving back financially, to both members and deserving

organizations in our community. Your Credit Union is not only well positioned to serve existing members, but to attract new members as well.

Your Board of Directors and Credit Union management meet at least once each month to review and evaluate the financial condition of the Credit Union and to ensure adherence to policies intended to have a positive financial influence on each of your lives. If you have questions or comments regarding Southeastern Credit Union's financial performance, please feel free to contact me at any time. I appreciate the opportunity to serve you in this capacity.

Sincerely,

Diane Kilgore
Treasurer

Comparative Financial Reports

Total Assets (in thousands)

2015	\$221,596
2014	\$200,718
2013	\$189,166
2012	\$166,611
2011	\$159,734

Total Loans (in thousands)

2015	\$147,752
2014	\$131,925
2013	\$114,330
2012	\$111,037
2011	\$110,951

Total Deposits (in thousands)

2015	\$198,818
2014	\$179,592
2013	\$169,196
2012	\$150,246
2011	\$144,735

Members

2015	29,443
2014	26,227
2013	24,980
2012	24,215
2011	23,297

Statement of Financial Condition

Years Ended December 31 (in thousands)

	2015 (Unaudited)	2014 (Audited)
ASSETS		
Cash	\$3,001	\$3,227
Investments	\$62,092	\$52,975
Net Loans	\$146,487	\$131,788
Fixed Assets	\$8,792	\$8,842
Other Assets	\$1,224	\$3,884
Total Assets	\$221,596	\$200,718
LIABILITIES & EQUITY		
Total Liabilities	\$1,731	\$2,952
Member Shares	\$198,818	\$179,592
Other Equity	\$21,047	\$18,174
Total Liabilities & Equity	\$221,596	\$200,718

Statement of Income

Years Ended December 31 (in thousands)

	2015 (Unaudited)	2014 (Audited)
INCOME		
Interest on Loans	\$7,551	\$6,675
Interest on Investments	\$511	\$513
Other Income	\$4,482	\$4,434
Total Income	\$12,544	\$11,622
EXPENSES		
Dividend Expense	\$942	\$997
Provision Expense	\$959	\$796
Income Before Op. Expense	\$10,643	\$9,830
Operating Expense	\$8,929	\$7,799
Non Operating Expense	\$164	\$45
Net Income	\$1,550	\$1,986

▶ **What is a Credit Union?**

We're a not-for-profit financial institution. What does that mean exactly? Well it means that unlike banks, we are not focused on maximizing profits. Sure, we make money. But we reinvest any profits earned back into the Credit Union in order to offer our members the best possible products and services. At Southeastern, our primary focus is on serving our members.

▶ **How is a Credit Union different from a Bank?**

Banks are owned by investors who expect a return on their investment. Because a bank needs to make money to keep their investors happy, their primary goal is to make decisions that maximize profits. On the other hand, credit unions are owned by their members and exist to serve their members' financial needs. Since a credit union doesn't have to focus on making money, we can focus on member service and provide members with the best financial products and services.

▶ **Why should YOU join a credit union?**

We are member-owned. By opening an account, you become a member-owner, meaning that you actually own a portion of the Credit Union and have a say in how it's run. Since we exist to serve our members, not to make a profit, we're able to offer lower rates on loans, higher rates on deposits, and fewer fees.

▶ **Who can join Southeastern?**

We are a community-chartered Credit Union, meaning anyone who lives in Ben Hill, Berrien, Brooks, Cook, Echols, Irwin, Lanier, Lowndes, Tift, or Turner counties is eligible to join.

our **Vision**

To be the best organization members have ever been a part of and employees have ever worked

our **Mission**

Deliver Value; Provide
Legendary Service

Board Members



Jerry Permenter
Chairman



C. Anthony Payton
Vice Chairman



Diane Kilgore
Treasurer



Roy McNeal
Secretary



H. Michael Beverly
Supervisory Committee
Chairman



John Leonard
Director



Charles Eidson
Director

Senior Management



E. Michael Gudely
President/CEO



Sharon LaBranche
Chief Operating
Officer/SVP



Jim Doyle
Chief Financial
Officer/VP



Stephen Sainz
Senior Risk Officer/SVP



Sharon Smith
Vice President
of Administration



Jamey LeVier
VP of Indirect &
Mortgage Operations



Donnee Upson
Vice President of
Information Technology



Deliver Value; Provide Legendary Service

LOCATIONS

Headquarters Branch

3501 N Valdosta Road
Valdosta, GA 31602

Perimeter Branch

3669 Inner Perimeter Road
Valdosta, GA 31605

Baytree Branch

1514 Baytree Road
Valdosta, GA 31602

Moody AFB Branch

3205 Mitchell Boulevard
Moody AFB, GA 31699

Tifton Branch

2212 N Tift Avenue
Tifton, GA 31794

Nashville Branch

902 S Davis Street
Nashville, GA 31639

(229) 244-2732

(800) 228-9739

SoutheasternCU.com

