



## 2018 Annual Report

*Deliver Value; Provide Legendary Service*



# A Letter to Our Members

From President and C.E.O. E. Michael Gudely  
& Chairman of the Board C. Anthony Payton

2018 was another great year for your credit union. After a comprehensive overhaul of all computer systems, 2018 provided the first opportunity to put new technology into action. Our new mobile banking application, Banno, proved to be as capable as any mobile banking product on the market. Our mobile deposit application provides members with the deposit limits they need, rather than the very low limits often provided by community banks. Our online banking also improved tremendously, and now provides members with the ability to transfer from their Southeastern accounts to any other financial institution in the country. Our deposit account statements were improved, made easier to read and understand, with greater content than ever before. Southeastern is now positioned to open accounts online, as well as, extend loans online. The ability to access the credit union electronically has never been greater. In 2019, we're going to upgrade our entire fleet of ATM's to the most current technology, allowing not only check or cash deposits, but the ability to obtain statements, make transfers, and other capabilities members will find convenient and useful.

As we reported in 2017, your credit union opened its seventh location in Waycross, GA. This was a limited service office primarily focused on loans. In November 2018, we relocated the limited service office to a full service location at 1912-F Memorial Drive, Waycross GA. This office now has all the capabilities of our six other full-service branches. Your credit union continues to assess other potential locations to better serve you, our members, in South Georgia.

Growth in 2018 was moderate with total assets increasing to \$243.6 million, a 1.2% increase. Total loans, however, grew in robust fashion, with loans outstanding increasing \$18 million, or 11.1%. Total deposits increased \$2.9 million or 1.2%. With continuing growth in the stock market, and lending activity at the highest levels since the 2008 Great Recession, competition for deposits is very keen. Your credit union continues to price its deposits at the top of the markets we're located in, but we have experienced federally insured credit union dollars flowing into uninsured equity markets (stocks and mutual funds). Southeastern will be implementing new deposit growth strategies in 2019 to address the outflow of money to the stock market. Total capital, representing the member's equity in the credit union ended the year at a very strong \$25.8 million or 10.59% of total assets. Your credit union continues to be well capitalized and well positioned in the event of a recession and any decline in local economic conditions.

Net earnings for 2018 were \$1.6 million, which translates to an R.O.A. of 0.70%. This is an increase from 2017 earnings of \$1.2 million, or 31.2% increase from the prior year.

As we've mentioned before, management and the board of directors continues to review possible merger candidates to expand our locations and services to members. However, the Board of Directors remains firm any merger approved by the Board must be to the benefit of our existing membership, and not simply to increase asset size

or become larger. We do not believe a "growth for growth's sake" strategy best serves the membership of Southeastern Credit Union.

As a not-for-profit cooperative, we believe being a good corporate citizen is paramount for this credit union in the communities it serves. As such, we continue to participate in civic activities in Valdosta, Tifton, Nashville, and Waycross. Our donations and charitable giving in the communities we serve exceeded \$88,000 in 2018. As has been our practice for several years, we again provided deserving high school seniors with \$7,000 in academic scholarships for college in 2018.

As your credit union, our goal is to provide the very best financial products and services at the most affordable cost, to each and every member we serve.

We remain committed to improving the lives of our member-owners. "Deliver value, and provide legendary service" will remain the guiding principle of our work to help people achieve their hopes and dreams.

Thank you for being a member. We value your membership and look forward to partnering with you to make 2019 yet another great year in the history of Southeastern Credit Union. Our 65-year plus commitment to the principles of placing people before profit is how we will all continue to enjoy the benefits of our financial cooperative.

As always, your comments and feedback are welcomed and encouraged. Only by sharing your thoughts and opinions, can we make Southeastern an even better credit union than it is today.

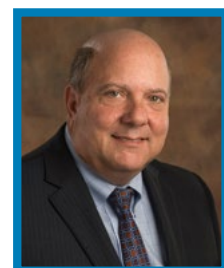
Sincerely,



C. Anthony Payton  
Chairman, Board of Directors



E. Michael Gudely  
President and C.E.O.



# Timeline of Southeastern CU

## **October 16, 1953**

The Credit Union is officially chartered as M.A.F.B. Federal Credit Union to serve civilian employees of Moody Air Force Base, employees of the Credit Union, and immediate family members of any established member. Our first branch is on Moody AFB.

## **September 1976**

Our name is changed to Moody Federal Credit Union. The first company not related to Moody AFB-Lowndes County Employees-is added to our field of membership, making their employees eligible to join the Credit Union as well. Lowndes County Credit Union merges with us.

## **1988**

City of Valdosta Credit Union merges with us.

## **1988**

South Georgia Regional Development Center Credit union merges with us.

## **September 1993**

Our name is changed to Southeastern Federal Credit Union.

## **October 1993**

Our first branch outside Lowndes County opens in Tifton.

## **July 1996**

Brooks County Credit Union merges with us.

## **January 1998**

We were granted a community charter field of membership. Anyone who lives, works, worships or attends school in Lowndes or Tift counties can join the Credit Union.

## **January 2000**

Our Tifton branch moves to its current location on Tift Avenue

## **May 2001**

We open our branch on Baytree Road, expanding to a total of four branches.

## **January 2003**

Our field of membership is expanded to Ben Hill, Berrien, Brooks, Cook, Echols, Irwin, Lanier, Lowndes, Tift and Turner counties.



## **October 2003**

We celebrate 50 years of service.

## **March 2006**

We change our logo.

## **November 2006**

We open our fifth branch on Perimeter Road.

## **December 2006**

The Credit Union reaches 2,000 members.

## **March 2008**

For the first time since our inception, our asset size exceeds \$100 million.

## **January 2009**

A 25,000 square foot office building is built to serve as our regional headquarters.

## **October 2013**

The credit union serves 24,000 members across ten counties with five branch offices. Our asset size is more than \$180 million.

## **January 2015**

Nashville Credit Union merges with us.

## **December 31, 2015**

We convert from a federal to state charter and change our name from Southeastern Federal Credit Union to Southeastern Credit Union. Our field of membership changes to a residential bond. Anyone who lives in Ben Hill, Berrien, Brooks, Cook, Echols, Irwin, Lanier, Lowndes, Tift or Turner counties are eligible for membership.

## **May 2017**

We added Ware and Pierce counties to our field of membership.

## **October 2017**

We went through a Core Conversion converting to Jack Henry.

## **December 2018**

Opened Full Service Branch in Waycross.





## Supervisory Report Jerry Permenter, Supervisory Committee

The Supervisory Committee (Committee) is composed of sitting members of the Board of Directors. The Committee is responsible for assisting the Board of Directors in its oversight of management to ensure the safety and soundness of Southeastern 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 regulatory reports of examination and provides a full report to the Board. At the conclusion of the December 31, 2017 external financial audit (audit), the Committee met with representatives of the public accounting firm Elliott Davis, LLC to discuss the financial audit. The auditor's findings resulted in Elliott Davis, LLC 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 Southeastern Credit Union's most recent regulatory examination, which was conducted by the Georgia Department of Banking and Finance in August 2018. The result of any regulatory examination of a financial institution is confidential and not permitted to be shared with the public.

However, if there were any matters of concern,

the Supervisory Committee is responsible for reporting the matter to the full Board of Directors. It would then be the responsibility of the Board of Directors to take whatever action was necessary to correct any deficiency, assuming a material deficiency was reported.

The Committee also reviewed the quarterly results of an internal audit program administered by Mauldin and Jenkins, LLC of Albany, GA. Results of those quarterly audits found that Southeastern Credit Union maintains an effective system of internal and financial controls. The Committee is pleased to report Southeastern Credit Union continues to be well-managed and is 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,

Jerry Permenter, Chairman Supervisory Committee



## Treasurer's Report Roy McNeal, Treasurer

As Treasurer of the Board of Directors, I am pleased to report 2018 was another financially successful year for your credit union. Assets grew \$2.8 million to \$243 million.

Our loan portfolio ended the year at \$183.9 million, increasing \$18.1 million from our 2017 YE total of \$165.8. This translates to a growth rate of 10.9%. Member shares (deposits) grew \$2.9 million or 1.4% over the prior year. For the year ending December 31, 2018, net income totaled \$1.6 million, an increase of \$383 thousand over last year, representing a 31.2% increase in earnings.

At year end, total capital was \$25.8 million, which represents the membership's equity in the credit union. Our capital ratio, a very important measure of financial strength, ended 2018 at 10.59%. Our change from a federal credit union charter in 2016 to a Georgia state credit union charter, required an increase from the federal requirement of 8% capital ratio to a minimum capital ratio of 10%. While meeting this requirement presented some challenges, it improved the financial strength of your credit union.

The credit union performed well against its financial budget for 2018. Net income was as budgeted, exceeding budget slightly by \$964. Loans grew well over budget by \$6.3 million or 3.5% over budget. Deposit growth of \$2.9 million was close to budget, but finished at 1.4% growth versus a deposit budgeted growth figure of 2%.

Non-interest income for 2018 was \$4.9 million, which was the 2018 budgeted number, and exceeded the prior year's non-interest income (2017) by \$311 thousand or 6.5%. Operating expense for 2018 totaled \$10.6 million, which was \$110,000 above the 2018 budgeted operating expense, ending 1.1% above budget. As compared to the prior year, 2018 operating expense was up by \$777 thousand or 7.9%. The increase in operating expense, year over year, resulted from increased personnel and occupancy costs related to opening a full service location (branch) in Waycross, Ga.

Delinquency and charge off trends for 2018 continue to indicate loan quality is outstanding at your credit union. Our members are repaying loans without issue at rates not experienced in the past. At 2018 YE, sixty-day delinquency was 0.10%. Because of the outstanding repayment of loans in 2018, your credit union did not have to reserve (expense) as much for loan loss provision as in 2017. Provision for loan loss expense was \$500 thousand for 2018, as compared to the 2017 provision for loan loss figure of \$981 thousand. Year over year, this is a reduction in expense to your credit union of \$481 thousand or a decrease of 49%. Management budgeted for a reduction in provision expense, but not to the degree actually experienced in 2018. Provision expense was budgeted at \$825 thousand for the year. Actual provision was \$324 thousand less than budget, ending 39% less than budget. Your collection staff and your front line lenders continue to work as a team with our borrowing members, to provide assistance whenever possible as difficulties arise in repaying loans.

Your Board of Directors and Credit Union Management Team 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,

Roy McNeal

Treasurer

# Comparative Financial Reports

## Total Assets (in thousands)

2018	\$243,613
2017	\$240,783
2016	\$228,784
2015	\$221,596
2014	\$200,718

## Total Loans (in thousands)

2018	\$183,988
2017	\$165,858
2016	\$142,745
2015	\$147,752
2014	\$131,925

## Total Deposits (in thousands)

2018	\$214,177
2017	\$214,261
2016	\$204,324
2015	\$198,818
2014	\$179,592

## Members

2018	26,683
2017	26,583
2016	29,506
2015	29,443
2014	26,227

## Net Income (in thousands)

2018	\$1,614
2017	\$1,231
2016	\$1,706
2015	\$1,550
2014	\$1,986

## Statement of Financial Condition

Years Ended December 31 (in thousands)

	2018 (Unaudited)	2017 (Audited)
<b>ASSETS</b>		
Cash and Equivalents	\$3,852	\$11,727
Investments	\$42,918	\$51,182
Net Loans	\$182,807	\$164,257
Fixed Assets	\$8,669	\$8,741
Other Assets	\$5,367	\$4,876
<b>Total Assets</b>	<b>\$243,613</b>	<b>\$240,783</b>
<b>LIABILITIES &amp; EQUITY</b>		
Total Liabilities	\$2,021	\$3,365
Member Shares	\$217,177	\$214,260
Member Equity	\$24,415	\$23,158
<b>Total Liabilities &amp; Equity</b>	<b>\$243,613</b>	<b>\$240,783</b>

## Statement of Income

Years Ended December 31 (in thousands)

	2018 (Unaudited)	2017 (Audited)
<b>INCOME</b>		
Interest and Fees on Loans	\$8,237	\$7,433
Interest on Investments	\$987	\$1,141
Other Income	\$4,956	\$4,644
<b>Total Income</b>	<b>\$14,180</b>	<b>\$13,218</b>
<b>EXPENSES</b>		
Dividend Expense	\$1,423	\$1,058
Provision Expense	\$501	\$982
<b>Income Before Op. Expense</b>	<b>\$12,256</b>	<b>\$11,178</b>
Operating Expense	\$10,623	\$9,845
Non Operating Expense	\$19	\$102
<b>Net Income</b>	<b>\$1,614</b>	<b>\$1,231</b>

## Capital to Assets

2018	10.59%
2017	10.05%
2016	10.03%
2015	9.59%
2014	9.05%

# *Southeastern CU Minutes of the 65<sup>th</sup> Annual Meeting*

*March 8, 2018*

- I. Chairman Anthony Payton called the meeting to order at 6:00 p.m. at the Holiday Inn Conference Center.
- II. The chairman appointed Molly Deese as recording secretary.
- III. The secretary determined a quorum was present with 27 members in attendance.
- IV. Chairman Payton declared the meeting officially open and introduced the head table.
- V. Chairman Payton asked for Mr. Stephen Sainz who is the SVP, Senior Risk Officer to give the invocation.
- VI. The minutes were approved as presented.
- VII. Anthony Payton gave the Chairman's message.
- VIII. Roy McNeal gave the Treasurer's report.
- IX. Jerry Permenter gave the Supervisory Committee's report.
- X. E. Michael Gudely gave the President's report.
- XI. Roy McNeal was called upon to explain the election process. There were two positions open for election to the Board of Directors. The nominating committee selected one person for each position open. The nominees selected were John Leonard and Dr. Wayne Plumly. Roy McNeal, Nominating Committee Chairman, received no qualified petitions for nomination to the Board of Directors. The nominees were elected to the Board of Directors by acclamation.
- XII. Chairman Payton recognized Mrs. Caroline Kendrick, Mr. Joey Kaufman, Mr. Mark Hightower and Mr. Phillip Whitley for 5-years of service. Mrs. Jackie Gower, Mrs. Jean Jackson, Mrs. Tina Welch and Mrs. Sharon LaBranche for 10-years of service.
- XIII. Chairman Payton recognized Mr. Greg Boatright for 18 years of service on the Supervisory Committee and contribution to the success of Southeastern Credit Union.
- XIV. Old Business:           There was none.
- XV. New Business:           There was none.
- XVI. There being no further business, the meeting was adjourned at 6:27 p.m.

## *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



**Anthony Payton**  
Chairman



**John Leonard**  
Vice Chairman



**Roy McNeal**  
Treasurer



**Molly Deese**  
Secretary



**Jerry Permenter**  
Chairman Supervisory  
Committee



**Charles Eidson**  
Director



**L. Wayne Plumly, Ph.D.**  
Director

## Senior Management



**E. Michael Gudely**  
President/CEO



**Joy Parrish**  
Vice President of  
Operations



**Stephen Sainz**  
Senior Risk Officer/SVP



**Victor Pires**  
Vice President of Retail  
Member Services



**Donnee Upson**  
Vice President of  
Information Technology



*Serving Members since 1953*

## 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

### **Waycross Branch**

1912 Memorial Dr. Ste F  
Waycross, GA 31501

**(229) 244-2732**

**(800) 228-9739**

**SoutheasternCU.com**

