



Montana Federal Credit Union 2015 Annual Report

76th Annual Meeting Agenda

Thursday, May 19, 2016
Mansfield Convention Center
Great Falls, Montana



MONTANA
FEDERAL CREDIT UNION

www.montanafcu.com

3 convenient locations to serve our members

901 8th Avenue South
Great Falls, MT 59405

540 Smelter Avenue NE
Great Falls, MT 59404

#15 14th Street South
Great Falls, MT 59401

406-727-2210
1-800-721-2242

- I Call to Order
- II Establish Quorum
- III Introduction of Officials
- IV Minutes of the 75th Annual Meeting
- V Report of Chairman
- VI Report of Treasurer
- VII Report of Supervisory Committee
- VIII President's Report
- IX Old Business
- X New Business
- XI Election Results
- XII Adjournment



AMERICA'S
CREDIT UNIONS

President's Report

Steve King, President/CEO

Today I'd like to start by offering a thank you to both our membership and our staff. A year ago, I told you that 2015 and 2016 would be a year of transition and change for Montana Federal Credit Union, and that some of these changes would require some patience from our members. By now, you know why.

The summer and fall of 2015 we eagerly prepared for our debit and credit card conversion to MasterCard. With careful planning and consideration, we had anticipated wrapping up our card project prior to the end of 2015, leaving us to focus efforts on our computer system upgrade in March of 2016. However, through this process, a unique opportunity presented itself for us to implement EMV technology, or chip cards, much earlier if we delayed rolling out our new debit cards until February of 2016, rather than October 2015. On their own, each of these projects is an immense task. To tackle them simultaneously was an undertaking that I hope never to see again in this business. The months of January, February and March flew by in a rush of meetings, trainings and more meetings, but every single one of our employees remained dedicated to learning our new systems so that our multiple conversions went as smoothly as they possibly could.

On the bright side, these slight inconveniences have added additional benefits and securities for our membership that I hope you'll take advantage of. We were on the leading edge in our market to be able to issue you EMV-compliant credit and debit cards, adding an additional layer of security to your Montana Federal Credit Union plastic cards. We now offer the ability to fully apply online for our consumer loans, which means you can apply for a loan 24/7. And I hope you've had an opportunity to download our mobile app and try out our mobile deposit feature. It's amazing how technology can make our lives easier!

We have asked so much of our membership and of our staff the past 6 months, but I can confidently say that we are now better prepared to meet the needs of this membership than ever before. We appreciate the trust you place in Montana Federal Credit Union, and thank you for your loyalty and membership. 🏡



Chairman's Report

Randy Boysun

Welcome to the 76th Annual Meeting of the Membership of Montana Federal Credit Union. It is an honor to serve as the chairman of your Board of Directors, alongside a group of dedicated community volunteers and professional staff.

The strategic focus of your Board this past couple years has been making improvements to our lending efforts and systems, and working internally to enhance our member service culture. Now that we are mostly through the woods with our core computer system conversion, we can really begin to see where we can make progress with these two strategic goals, and the steps we need to take to accomplish them. We believe we are positioned to meet our members' needs as changes in market and technology affect the financial service needs of the future. It is our goal to be the financial service organization of choice for our members.

Operationally, Montana Federal Credit Union continues to remain a solid and thriving financial institution, with a low cost of operations and a steadfast bottom line. Our board of directors is a dedicated group of professionals that are committed to the success and growth of our credit union, and our management team is continually looking for ways to move the needle of progress. However, our guiding principle is maintaining your confidence and trust, while upholding the credit union values of "people helping people."

Thank you to all our credit union employees, Board and committee members for all their hard work in serving our members. Everyone has done a tremendous job the past year. And thanks to you, our members, for all your support of the credit union. Our members are the reason we exist! 🏡



2015 Board of Directors

Chairman Randy Boysun, Treasurer Mark Nash, Vice Chairman Dale Bimler, Director Paul Dockter, Director Coleen Balzarini, Secretary Cheryl Patton, Director Colleen Holzheimer, and Associate Director Joanie Agamenoni.

Treasurer's Report

Mark Nash

As Treasurer, I am pleased to report to the membership that Montana Federal Credit Union continues to operate as a financially sound credit union. The Board of Directors and staff continually review the credit union's policies and procedures to safeguard your assets. In addition, the Board also reviews the financial status of the credit union on a monthly basis, and works closely with management to develop and approve long-range funding strategies, an annual budget and overall growth strategy. In 2015, we saw deposit growth of \$9.6 million and loan growth of \$5.5 million. These are strong numbers for our community, and we are pleased at the rate of growth.

The auditing firm of Anderson ZurMuehlen & Co completed our annual audit for fiscal year end 2015 and issued an unqualified opinion affirming that the financial statements of your credit union were presented fairly in all aspects. In addition to the annual audit, the credit union conducts ongoing monthly internal audit reviews of financial statements to ensure consistency and compliance. I would like to thank management and staff for their accurate and thorough preparation of the monthly financial statements. Their diligence and attention to detail makes the Board's oversight process a simple one. 🏡

Supervisory Report

Coleen Balzarini, Supervisory Committee

The Supervisory Committee is appointed by the Board of Directors and is responsible for oversight of management's use of sound accounting and financial reporting processes in accordance with generally accepted accounting principles. The Supervisory Committee meets quarterly to review and discuss auditing and accounting matters relating to Montana Federal Credit Union. In addition to myself, the Supervisory Committee includes Judy Schroeder and John Huber.

The Supervisory Committee retained the audit services of Anderson ZurMuehlen & Co. P.C. to perform an independent audit on the 2015 financial statements. Montana Federal Credit Union received an unmodified or "clean" opinion on its 2015 financial statements. Montana Federal Credit Union has Martha Kennedy, an internal auditor, on staff to perform daily audit procedures and related inspections. Martha provides the Supervisory Committee a monthly report that outlines her procedures and findings.

As always, the Supervisory Committee investigates member questions and inquiries not resolved to their satisfaction. Please contact any of the Supervisory Committee members if you have questions regarding your account or other matters concerning Montana Federal Credit Union. 🏡

Statement of Financial Condition

John Hageman, Chief Financial Officer

| Comparative Income and Expenses | | |
|---------------------------------|--------------|--------------|
| For the Year Ended December 31 | 2015 | 2014 |
| Income | | |
| Interest on Loans | \$ 4,431,763 | \$ 4,443,930 |
| Investment Income | \$ 835,155 | \$ 922,171 |
| Other Income | \$ 2,966,740 | \$ 2,702,196 |
| Gross Income | \$ 8,233,658 | \$ 8,068,297 |
| Expenses | | |
| Salaries & Benefits | \$ 3,246,739 | \$ 2,912,588 |
| Association Dues | \$ 48,571 | \$ 46,072 |
| Office Operations | \$ 956,401 | \$ 907,690 |
| Advertising & Promotion | \$ 260,028 | \$ 247,545 |
| Outside Services | \$ 959,541 | \$ 915,583 |
| Allowance for Loan Loss | \$ 194,000 | \$ 300,000 |
| Other Operating Expenses | \$ 734,329 | \$ 683,285 |
| Total Expenses | \$ 6,399,609 | \$ 6,012,763 |
| Gain from Operations | \$ 1,834,049 | \$ 2,055,534 |
| Earnings Distribution | | |
| Dividends | \$ 616,959 | \$ 647,002 |
| Net Income | \$ 1,242,405 | \$ 1,408,532 |
| Total Earnings | \$ 1,859,364 | \$ 2,055,534 |

| Comparative Statement of Condition | | |
|------------------------------------|----------------|----------------|
| For the Year Ended December 31 | 2015 | 2014 |
| Assets | | |
| Cash on Hand | \$ 2,004,112 | \$ 2,377,556 |
| Cash Deposits | \$ 20,131,628 | \$ 22,132,672 |
| Investments | \$ 74,772,334 | \$ 67,818,409 |
| Loans to Members (Net) | \$ 106,458,642 | \$ 100,991,800 |
| Land & building | \$ 3,061,714 | \$ 3,086,111 |
| Furniture, Fixtures, & Equipment | \$ 316,081 | \$ 297,480 |
| Accrued Income | \$ 374,841 | \$ 322,267 |
| Prepaid Expenses | \$ 403,424 | \$ 332,914 |
| Share Insurance Reserve | \$ 1,853,832 | \$ 1,774,236 |
| Other Assets | \$ 5,708,896 | \$ 4,664,200 |
| Total Assets | \$ 215,085,505 | \$ 203,797,645 |
| Liabilities | | |
| Accounts Payable | \$ 139,271 | \$ 103,606 |
| Other Liabilities | \$ 516,658 | \$ 428,266 |
| Total Liabilities | \$ 655,929 | \$ 531,873 |
| Equity | | |
| Regular Shares | \$ 76,816,181 | \$ 71,602,639 |
| Money Market Accounts | \$ 53,698,363 | \$ 50,874,427 |
| Share Drafts | \$ 33,376,899 | \$ 29,593,830 |
| Certificates | \$ 19,313,094 | \$ 21,397,149 |
| IRA's | \$ 9,270,833 | \$ 9,403,595 |
| Reserves | \$ 2,450,338 | \$ 2,132,669 |
| Undivided Earnings | \$ 19,503,868 | \$ 18,261,463 |
| Total Liabilities/Equity | \$ 215,085,505 | \$ 203,797,645 |