



CELEBRATING  
**70**  
YEARS  
ANNIVERSARY

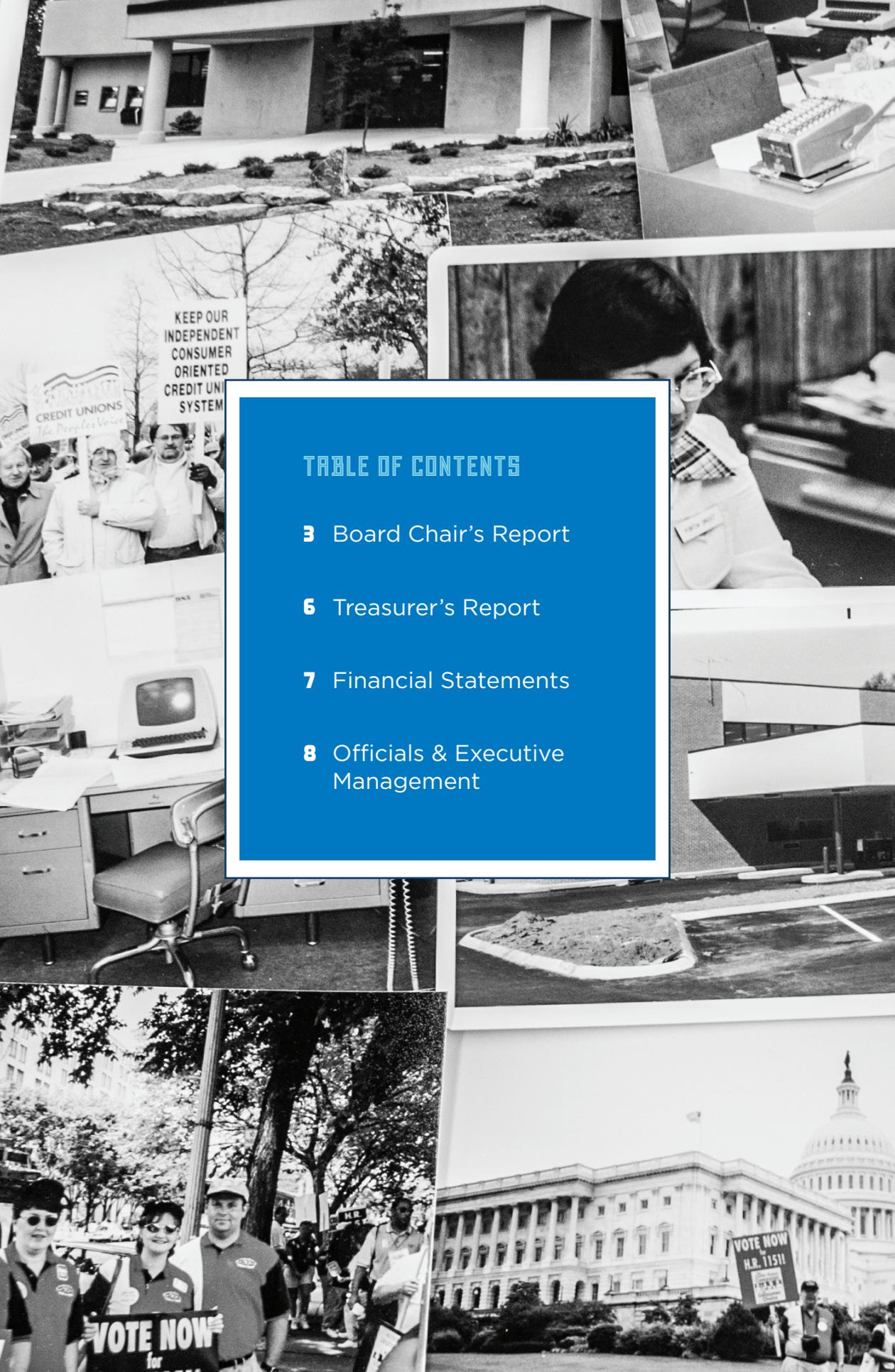
2017  
ANNUAL  
REPORT



Federally insured by NCUA.



Federally insured by NCUA.



## TABLE OF CONTENTS

- 3** Board Chair's Report
- 6** Treasurer's Report
- 7** Financial Statements
- 8** Officials & Executive Management

KEEP OUR  
INDEPENDENT  
CONSUMER  
ORIENTED  
CREDIT UNI  
SYSTEM

CREDIT UNIONS  
*The Peoples Voice*

**VOTE NOW**  
for

**VOTE NOW**  
for  
**H.R. 1151!**



# BOARD CHAIR'S REPORT (CONT.)

7 Insurance saved members an average of \$525 per year on auto, home, and personal insurance policies.

## ***We invest in new ideas and technologies.***

Embracing new ideas and technologies continued to be a priority in 2017:

We remained committed to ensuring that Credit Union systems continued to evolve and align with changes in technology. Focuses in 2017 included the launch of a new online banking system, enhancements to mobile check capture capabilities and limits, the implementation of a new commercial loan system, and the introduction of a new indirect loan origination system. All of these initiatives leverage digital technology and support member access across a variety of channels.



## **Several key initiatives from the Master Facilities Plan were completed:**

In February, we celebrated the opening of a new branch location at Northshore Town Center in Knoxville. This facility replaced the former leased location in the Northshore Kroger. The new branch features an open design, new technology, and an enhanced service model. In addition to the new branch, the facility provides space for multiple departments and our Credit Union Service Organizations (CUSO), 7 Mortgage and 7 Title.



In April, renovations at the Oak Ridge headquarters were completed. Staff members in leased locations were moved to the newly remodeled space, eliminating building leases. The consolidation provided teams with related functions to be located together to enhance operational efficiency and offers capacity for future growth.



Renovations at the Clinton Branch were completed in May, updating the look and feel of the location. The new design takes advantage of the larger footprint and leverages the space to improve service to members.



***We invest in our communities.***

We continued to invest in our service area to help improve the quality of life in East Tennessee:

Throughout the year we contributed to several organizations: Dogwood Arts, Parade of Homes, Zoo Knoxville, Second Harvest Food Bank, United Way, Junior Achievement, The Change Center, and East Tennessee Children’s Hospital.

Employees were passionate about supporting and engaging with our communities. Together, employees logged over 800 volunteer hours under the new Volunteer Time Off program implemented in 2017.



We look forward to celebrating the 70th anniversary of serving members in 2018. In alignment with this milestone, strategies have been developed to ensure the ongoing health and stability of ORNL FCU. Initiatives will focus on expanding member support channels, delivering a consistent service experience, improving operational efficiency, and remaining your trusted financial partner.

As we approach this milestone we reflect on the growth and change that has brought us to this point. We thank you, our members, for allowing us to serve you for the last 70 years. Together, we thrive.

*W.R. Gorman*

Randy Gorman, Board Chair

# TREASURER'S REPORT

ORNL Federal Credit Union's financial condition remains strong and well-positioned for future growth. Considerable investments in systems and facilities, completed in 2017, will enhance the member service processes and experience. In 2017, the Credit Union increased net income by \$2.72 million ending the year with earnings of \$12.81 million. The efficiency ratio declined to 76.83% in 2017 as a result of greater attention to expense control. Because of this performance, regulatory net worth ended the year at \$210.23 million—resulting in a net-worth ratio of 10.69%—which is considered “Well-Capitalized” according to the National Credit Union Administration. The Credit Union experienced considerable total asset growth in 2017 with balances increasing by \$102.83 million (or 5.52%) to end the period at \$1.966 billion.

**5.52%** INCREASE IN TOTAL ASSETS

Gross loan balances increased by \$140.84 million, which produced the greatest loan growth in the history of the Credit Union. Total member business loans continued the trend of positive growth with balances increasing by \$13.07 million to end the period at \$93.64 million. Total mortgage loans increased by \$142.89 million to end the period at \$827.23 million as the Credit Union remains a mortgage lender of choice for members. Overall, total consumer loans declined by \$15.11 million as the Credit Union was quick to react to the changing rate environment by increasing rates in the consumer loan portfolio. The reflective shift in loan portfolio balances resulted in a favorable

increase in total interest income of \$3.87 million.

**5.85%** INCREASE IN TOTAL DEPOSITS

Total deposits increased by \$90.40 million (or 5.85%) to end the period at \$1.636 billion. Share draft and share savings balances increased by \$35.14 million and \$37.77 million, respectively. The Credit Union continued to offer attractive share certificate promotions which drove a \$30.31 million increase in balances in 2017, while money market accounts declined by \$12.81 million as members continued to reinvest funds as rates increased. The Credit Union increased rates across all deposit products in 2017 as a way to directly return value to members.

The Credit Union continues to attract new members as total memberships increased by 3,733 (or 2.42%) to end 2017 at 158,058. ORNL FCU will continue to offer attractive products, pricing, and exceptional service to engage members because: *Together, We Thrive.*

ORNL FCU continues to exhibit strong growth while investing in the future of the organization with these financial results.

“...BECAUSE TOGETHER,  
WE THRIVE.”

# CONSOLIDATED STATEMENT OF CONDITION

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash & Cash Equivalents	\$ 95,794,076	\$ 165,011,749
Total Investments	\$ 207,296,178	\$ 159,944,733
Gross Loans	\$ 1,541,359,477	\$ 1,400,518,325
Allowance for Loan Losses	\$ (11,543,808)	\$ (10,530,287)
Net Loans	\$ 1,529,815,669	\$ 1,389,988,038
Accrued Interest Receivable	\$ 4,142,354	\$ 3,315,794
Total Fixed Assets	\$ 54,946,543	\$ 55,058,375
Total Other Assets	\$ 73,929,628	\$ 89,775,735
Total Assets	\$ 1,965,924,448	\$ 1,863,094,424
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Total Deposits	\$ 1,636,270,866	\$ 1,545,868,290
Borrowed Funds	\$ 104,885,553	\$ 98,684,321
Total Other Liabilities	\$ 18,399,790	\$ 26,580,948
Total Liabilities	\$ 1,759,556,209	\$ 1,671,133,559
<b>MEMBERS' EQUITY</b>		
Total Members' Equity	\$ 206,368,239	\$ 191,960,865
Total Liabilities & Equity	\$ 1,965,924,448	\$ 1,863,094,424

# CONSOLIDATED INCOME STATEMENT

	<b>2017</b>	<b>2016</b>
Total Interest Income	\$ 61,111,746	\$ 55,805,653
Total Interest Expense	\$ 8,479,126	\$ 7,157,421
Net Interest Income	\$ 52,632,620	\$ 48,648,232
Provision for Loan Loss	\$ 7,800,000	\$ 5,720,000
Net Interest Income after Provision	\$ 44,832,620	\$ 42,928,232
Total Non-Interest Income	\$ 36,298,237	\$ 34,788,298
Total Operating Expense	\$ 69,182,587	\$ 67,272,202
Income/(Loss) from Operations	\$ 11,948,269	\$ 10,444,328
Non-Operating Gain/(Loss)	\$ 861,030	\$ (351,659)
Net Income	\$ 12,809,299	\$ 10,092,669

# OFFICIALS

## BOARD OF DIRECTORS

Randy Gorman, *Chair*  
James Payne, *Vice Chair*  
Marcy Catron, *Treasurer*  
Joel Pearman, *Secretary*  
Harvey Gray  
Jama Hill  
Leigha Humphries  
Sam McKenzie  
Debbie Stairs

## SUPERVISORY COMMITTEE

Gerald Smith, *Chair*  
David Watkins, *Vice Chair*  
Mary Kiser, *Secretary*  
Mary Beth Blair

## NOMINATING COMMITTEE

James Payne, *Chair*  
Sam McKenzie  
Jessica Emert

## EXECUTIVE COMMITTEE

Randy Gorman, *Chair*  
James Payne, *Vice Chair*  
Marcy Catron, *Treasurer*  
Joel Pearman, *Secretary*

## LEGISLATIVE & GOVERNMENTAL AFFAIRS COMMITTEE

Harvey Gray, *Chair*  
Randy Gorman  
Leigha Humphries  
Sam McKenzie  
James Payne

## VOLUNTEER POLICY & GOVERNANCE COMMITTEE

Joel Pearman, *Chair*  
Randy Gorman  
Jama Hill  
Leigha Humphries  
Debbie Stairs

# EXECUTIVE MANAGEMENT

**Colin Anderson**, President/CEO  
**Chris Boler**, President/CEO, 7, LLC  
**Dawn Brummett**, Senior Vice President/Chief Operating Officer  
**Janita Clausell**, Senior Vice President/Chief Member Experience Officer  
**Becky Curry**, Senior Vice President/Finance  
**Steve McAtee**, Senior Vice President/Chief Technology Officer  
**Derek Saidak**, Senior Vice President/Chief Lending Officer  
**Joy Wilson**, Senior Vice President/Chief Administrative Officer  
**Tom Wright**, Senior Vice President/Chief Marketing Officer