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2016

Annual Report

Minutes of the 49TH Annual Meeting

The meeting was called to order by the Vice Chairman of the Board of Directors, at The Four Columns, 3711 Westbank Expressway, Harvey, on the 2nd day of April 2016, at 10:00 a.m.

It was confirmed that there was a quorum present.

Minutes:

Moved by Floyd Grayson, seconded by Nathan Winesberry, and approved to dispense with the reading of the March 2015, Annual Meeting minutes and to accept as presented in the Annual Meeting booklet.

Supervisory Committee Report:

Juan Filos, Supervisory Committee Chairman, presented the Supervisory Committee Report as printed in the 2015 Annual Report booklet. It was emphasized that the credit union engages the services of Carr, Riggs & Ingram, LLC, Certified Public Accountants who performed an opinion audit on the financial books and records. An opinion audit was the highest auditing standard available and the Credit Union is not required to have an audit of this level. The CPA firm reported an “unqualified” or “clean” opinion, the highest result possible. It was noted that unannounced cash counts were conducted at all locations. Cash balances were verified as being accurate. The Louisiana Office of Financial Institutions conducted their annual exam, which produced excellent results.

Chairman’s Report:

Mr. Rosa presented the chairman’s report in his absence. The Chairman’s report stated that Jefferson Financial Credit Union continued to outperform most credit unions in the state by delivering exceptional product and services. He shared several highlights, accomplishments and expansion projects achieved during the year including the most recent endeavor of the board which is to make the credit union a Federal Charter.

President’s Report:

CEO Rosa reported on the economic climate in 2015, which seemed to show improvement from the previous year. Conditions seemed to follow in Louisiana. Many banks and credit unions ended up on the regulators “problem list”. Jefferson Financial continued to perform well. The credit union industry continues to shrink and the current economic conditions have only contributed to the industry decrease. Rosa reiterated the importance of continued growth and success of Jefferson Financial Credit Union, given the current economy.

Unfinished Business:

Vice Chairman Susan Bloom called for any unfinished business. There was none.

New Business:

Vice Chairman Susan Bloom then called for any new business. There was none.

Elections:

Nominees for three (3) positions each for a three (3) year term on the Board of Directors:

By Nomination Committee: George Horne, Barbara Duplantis, and Floyd Grayson.

By Petition: None

Elected by acclamation to the Board of Directors for three (3) year term: Feleciano “Junior” Mendoza, Susan Bloom, Joann Tassin.

Staff Recognition:

The Board of Directors' Annual Longevity awards were presented to the following employees: Diane Tassin – 35 years, Carie Lopez – 30 years, Natalie Toups – 10 years, Dacia Delacerda – 10 years, Ann Kives – 5 years, Peggy Whittington – 5 years, Debbie Burnette – 5 years, Joby Quebedeaux – 5 years, Mary Maurin – 5 years, Jessie Stewart – 5 years, Tais Boudreaux – 5 years, Mark Mohammed – 5 years, Trudy Harris – 5 years, Teresa Sanchez – 5 years, Huyen Nguyen – 5 years, Kim Ramsey – 5 years, Thu Nguyen – 5 years, Ted Roose – 5 years, and Gerry Brosette – 5 years

Door Prizes:

Door prizes were awarded and a 50/50 cash drawing for Children's Hospital was conducted.

Open Discussion:

One question was asked by a member about our coin counting machines at our branch locations.

Adjournment:

Vice Chairman Susan Bloom called for any further questions from the floor. Moved by Nathan Winesberry, seconded by Mark Rosa, and approved to adjourn the meeting at 11:00 a.m.

Chairman's Report

Welcome to the annual membership meeting of Jefferson Financial **Federal** Credit Union.

How quickly a year passes and how quickly things can change.

Last year, I reported to the membership that effects from the Great Recession of 2008 continued to linger at your credit union and in the economy as a whole. Deposit rates remained low, the economy was growing sluggishly, labor markets were weak, hiring was slow, the number of regulations was increasing, expansion was difficult.

Fast forward to the end of 2016 and the economic climate is significantly different. Your credit union began the year at \$432 million in total assets. Amidst the uncertainty of the direction of interest rates, in the confusion of an election year and in the middle of a harsh regulatory climate, we ended 2016 with record breaking total assets of \$489 million and a Federal Charter!

In 1966 when the credit union was chartered, our regulator was the State of Louisiana, Office of Financial Institutions (LOFI) and we grew to be the largest State Chartered credit union. In an environment dominated by banks, LOFI restricted our expansion, curtailed our growth which severely impacted our ability to serve the membership. In the middle of the year, total assets fell to \$399 million, certain aspects of lending were prohibited and too much energy had to be devoted to the overly burdensome and expensive regulatory environment.

It was at the last annual meeting, that I reported on your board's decision to convert from our original state charter and to seek a federal charter. It was with your support that the application was approved and in late summer, we became Jefferson Financial Federal Credit Union. Not only did we save over \$100,000 in examination fees, we also were again allowed to grow the credit union. Thank you all so much for time and effort you took to help us with this effort. The industry continues to grow and we will grow with it!

Your credit union's capital is strong, provided by a healthy net income each year. Investments in infrastructure and technology have not only served the membership but have positioned us to grow into the future, a necessary component to succeed. In the last ten years, Jefferson Financial moved from the 11th largest credit union in Louisiana to the 5th largest.

Being true to our mission as a credit union, your Board of Directors meets monthly to review loan and deposit rates to bring these products to you, our members, in the most competitive way possible. Our rates and products consistently are ahead of our peer credit unions. We continue to serve the unbanked, under-banked and the underserved, designing products and services to meet their needs.

Some other accomplishments and highlights of your credit union, staff and board in 2016 are:

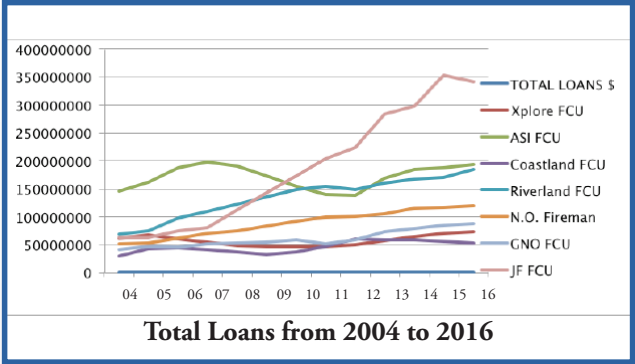
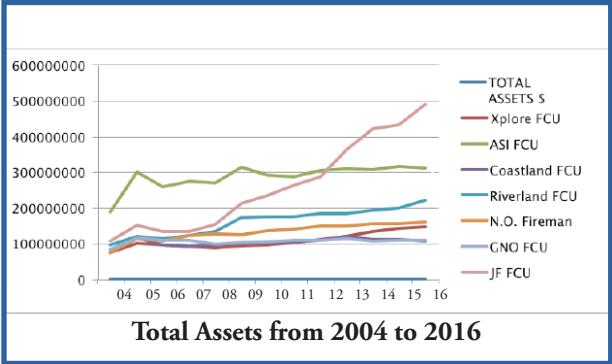
- Significantly increased assets, capital, loans and return on assets (ROA) which is noteworthy given the past regulatory climate.
- Received one of the highest ratings possible on the annual regulatory examination.
- Received the highest rating possible on the annual Certified Public Accountant (CPA) Audit.
- Board members and members of the Supervisory Committee have completed mandated training requirements.
- We continue involvement in the community and with our largest sponsor groups – Jefferson Parish Public Schools System and Ochsner Health Systems.

In conclusion, I would like to thank the membership for the unwavering support and confidence. It is our goal to be your financial service provider for life. Our resilience in this still rocky economic market is a testament to the credit union's management team, volunteer board and Supervisory Committee and the will and desire to offer our members the best and latest products available in the financial arena.

Sincerely,

Feleciano "Junior" Mendoza
Chairman of the Board of Directors

President's Report



As the data listed below suggests, the credit union industry continues to consolidate. In 1985, when my career in the industry began, to work for a credit union with \$10 million in total assets was something to talk about; competition between credit unions was almost nonexistent, the regulatory environment was a fraction of what it is today, and the economic climate “felt” better. Today, virtually every single credit union competes with another, the legal and regulatory pressures have grown exponentially and since 2009, the recession and the near-zero interest rate economic environment has severely damaged financial institutions. A typical conversation among credit union professionals is that a \$50 million credit union is “far too small to survive.”

Year	# of Credit Unions	Year	# of Credit Unions	Year	# of Credit Unions
2006	8,362	2010	7,339	2014	6,270
2007	8,101	2011	7,093	2015	6,020
2008	7,806	2012	6,820	2016	5,785
2009	7,637	2013	6,554		(as of 12/31/2016, National Credit Union Administration)

(Source: National Credit Union Administration)

From a high of 23,866 in 1969, the number of credit unions has fallen each and every year since then.

We are proud of the accomplishments that we have achieved this past year. They are especially satisfying as these results came with extra effort. In this industry like many others, the failure to continue to grow will ensure a position in the merged credit union statistics. We look forward to the challenges ahead, and are confident that we are prepared. We are positioned to succeed.

Mark E. Rosa
President, CEO

Supervisory Committee Report

The Supervisory Committee of Jefferson Financial Federal Credit Union acts on behalf of the membership by monitoring all Credit Union financial operations and activities. It is the Committee's responsibility to ensure that the Credit Union:

- a. Establishes and maintains effective internal controls to achieve its financial reporting objectives.
- b. Promptly prepares accounting records and financial reports to accurately reflect operations and results.
- c. Properly administers the relevant plan, policies and control procedures established by the Board of Directors.
- d. Establishes policies and control procedures that safeguard against errors, carelessness, conflict of interest, self-dealing, fraud and loss.

Due to the fact that our Credit Union is considered a large Credit Union with complex operations, it is necessary to give consideration to having an Internal Audit Department to effectively assist in carrying out our oversight responsibilities functions, ensuring accurate and reliable information is produced by the Credit Union, determining the effectiveness of the internal control structure, promoting operational efficiencies, safeguarding assets of the Credit Union, encouraging compliance with internal policies and procedures as well as external laws and regulations. An internal audit is an integral part of the evaluation of internal controls, a check and balance on management functions and an effective measure for the prevention and detection of loss. Therefore, the Committee has engaged the CPA firm of Postlethwaite & Nettleville (P&N) to perform the internal audit functions. As you see the benefits gained from the recommendations stemming from internal audits will be invaluable to the Credit Union operations.

The annual opinion audit was conducted by the CPA firm of Carr, Riggs, & Ingram. An opinion audit is the highest quality audit that can be obtained. During the last opinion audit conducted, the Credit Union received a clean audit report reflecting no significant concerns. In conjunction with the annual opinion audit, reviews of the Board of Directors as required by the Louisiana Credit Union Law, chapter 8, section 6-669, and the bylaws of the Jefferson Financial Federal Credit Union were conducted by the committee. The committee also conducted the confirmation of member's accounts.

Since the last annual meeting, the Supervisory Committee conducted unannounced cash counts at the main office and all branches to verified cash reconciliations. All cash balances were verified as being accurate at all locations.

In addition, the National Credit Union Administration conducted their exam, which produced good reports.

The Committee appreciates your continued confidence in our oversight role. The support and cooperation of the Board of Directors, Management, and employees that have assisted us in the performance of our duty is greatly appreciated.

Supervisory Committee Members:

Tony Filos, Chairman
Melissa Matherne, Secretary
Betty Webb

2016 Financials

Balance Sheet

Assets	12-31-2016	12-31-2015
Cash	\$103,280,037	\$38,983,719
Investments	7,520,935	6,159,607
Loans (Net)	339,697,617	351,429,626
Property & Equipment (Net)	18,401,008	18,828,926
NCUSIF Deposit	3,270,849	2,884,698
Other Assets	17,464,158	14,034,662
Total Assets	\$489,634,604	\$432,321,238
Liabilities & Members' Equity	12/31/16	12-31-2015
Accrued Expense & Other Liabilities	\$99,808,351	\$74,308,737
Total Shares	341,199,353	312,874,420
Total Capital	48,626,899	45,138,081
Total Liabilities & Members' Equity	\$489,634,604	\$432,321,238

(Unaudited)

Income Statement

Income	12-31-2016	12-31-2015
Loan Interest Income	\$17,376,243	\$15,884,581
Investment Income	436,185	238,772
Fee Income	5,123,393	4,938,290
Other Income	3,460,564	2,794,295
Total Income	\$26,396,386	\$23,855,939
Total Expense	12/31/16	12/31/15
Operating Expense	\$19,229,552	\$18,374,632
Provision for Loan Loss	1,593,412	1,809,586
Dividend Expense	2,487,327	1,624,789
Total Expense	\$23,310,291	\$21,809,008
Non-Operating Income	\$405,919	\$661,006
Net Income	\$3,492,014	\$2,707,938

(Unaudited)

Board of Directors

Feliciano Mendoza, Jr.
Chairman of the Board

Susan Bloom
Vice-Chairman

Sharon Wegner
Treasurer

Joann Tassin
Secretary

Floyd Grayson
Security Officer

Lloyd Clark
Director

Barbara Duplantis
Director

George Horne
Director

Nathan Winesberry
Director