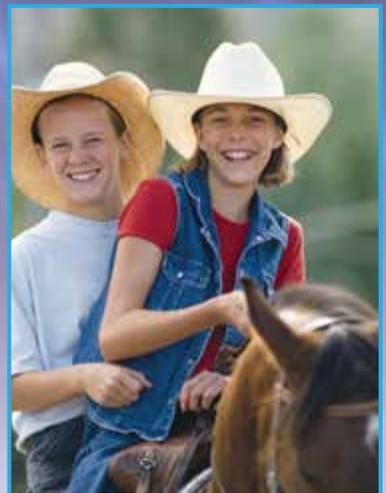


2016

ANNUAL REPORT



**UPPER CUMBERLAND
FEDERAL CREDIT UNION**
member owned



UCFCU CHAIRMAN'S REPORT

Zdenka Austin –

A Combination of Strengths

I would like to thank every member who has ever served as a credit union volunteer. A credit union only exists with governance from dedicated volunteers. Please remember that the credit union volunteers are truly “volunteers” because there is no pay for these positions. These volunteers strive to make sure members are not paying unnecessary fees and that the products offered by the credit union enhance the members’ financial wellbeing. The products are designed to assist members in reducing debt and managing finances efficiently which can save them money and/or add value to their life.



The credit union is determined to mix various forms of financial service channels so that members have easy access from anywhere in the country without losing touch of the relationships we have built with our members throughout the years. Members are able to deposit a check from their smart phone or tablet, transfer funds or pay bills using home banking or a mobile app, or actually apply for a loan and sign most loan documents on their smart phone or tablet. Members have a choice of using very convenient high-tech financial services or coming into one of three locations to be greeted by a friendly, knowledgeable, credit union representative to get help with their financial transactions. The member-owners are in control of which delivery method they prefer. Rest assured the staff are very willing to help you learn how to use any of the various options that are available. At the same time, we do love to see our members stop by one of our three locations.

Your credit union will work hard to provide the various delivery channels so you have plenty of choices in how you conduct your financial business. We thank you for choosing Upper Cumberland Federal Credit Union to be your trusted financial partner and look forward to another prosperous year in 2017.

The nominating committee has nominated Tony Brock, Nancy Hyder, Linkous Keen, and Sue Tollett, for board member positions. The credit union annual meeting and election will be held at 5:00 P.M., on Tuesday, March 21, 2017 at the Cumberland County Community Complex (Fairgrounds) located at 1374 Livingston Rd., Crossville, TN 38555.

UCFCU STATEMENT OF INCOME

YEAR-TO-DATE FIGURES	12/31/2015	12/31/2016	\$ Var	% Var
Total Loan Income	\$ 2,224,752.66	\$ 2,489,706.94	\$ 264,954.28	11.91
Net Loan Income	\$ 2,224,752.66	\$ 2,489,706.94	\$ 264,954.28	11.91
Total Investment Income	\$ 78,473.86	\$ 64,315.76	\$ (14,158.10)	- 18.04
Total Interest Income	\$ 2,303,226.52	\$ 2,554,022.70	\$ 250,796.18	10.89
Interest on Deposits	\$ 68,534.41	\$ 143,859.11	\$ 75,324.70	109.91
Interest on Borrowed Money	\$ 29.50	\$ 105.52	\$ 76.02	257.69
Total Interest Expense	\$ 68,563.91	\$ 143,964.63	\$ 75,400.72	109.97
Net Interest Income	\$ 2,234,662.61	\$ 2,410,058.07	\$ 175,395.46	7.85
Provision for Loan Loss Expense	\$ 6,098.19	\$ 3,738.63	\$ (2,359.56)	- 38.69
Net Interest Income after Provisions	\$ 2,228,564.42	\$ 2,406,319.44	\$ 177,755.02	7.98
Salaries	\$ 931,485.58	\$ 988,878.10	\$ 57,392.52	6.16
Employee Benefits	\$ 206,926.51	\$ 225,401.36	\$ 18,474.85	8.93
Travel & Conference	\$ 24,760.93	\$ 42,004.26	\$ 17,243.33	69.64
Association Dues	\$ 12,313.83	\$ 14,851.20	\$ 2,537.37	20.61
Office Occupancy	\$ 100,403.66	\$ 126,074.93	\$ 25,671.27	25.57
Office Operations	\$ 267,955.76	\$ 280,833.50	\$ 12,877.74	4.81
Education & Marketing	\$ 119,875.74	\$ 134,198.97	\$ 14,323.23	11.95
Loan Servicing	\$ 131,424.97	\$ 148,722.02	\$ 17,297.05	13.16
Outside Services	\$ 724,823.94	\$ 640,079.36	\$ (84,744.58)	- 11.69
Examination Fees	\$ 9,303.36	\$ 9,752.61	\$ 449.25	4.83
Cash Over/Short	\$ 25.16	\$ (846.33)	\$ (871.49)	- 3,463.79
Annual Meeting	\$ 7,012.13	\$ 7,282.43	\$ 270.30	3.85
Misc. Operating Exp.	\$ 37,973.41	\$ 57,691.51	\$ 19,718.10	51.93
Depreciation Expense-Building & Leased	\$ 53,158.30	\$ 62,608.78	\$ 9,450.48	17.78
Depreciation Expense-Furniture, Fixtures	\$ 120,166.97	\$ 130,809.59	\$ 10,642.62	8.86
Total Operating Expenses	\$ 2,747,610.25	\$ 2,868,342.29	\$ 120,732.04	4.39
Fees & Charges	\$ 970,449.99	\$ 1,043,103.26	\$ 72,653.27	7.49
Other Income	\$ 131,180.08	\$ 131,938.66	\$ 758.58	0.58
Total Other Operating Income	\$ 1,101,630.07	\$ 1,175,041.92	\$ 73,411.85	6.66
(Gain) / Loss on Sale of Assets	\$ 38,905.01	\$ 102,472.71	\$ 63,567.70	163.39
Total Non-Operating Income	\$ 38,905.01	\$ 102,472.71	\$ 63,567.70	163.39
Net Income	\$ 543,679.23	\$ 610,546.36	\$ 66,867.13	12.30

TREASURER'S REPORT

Sue Tollett Comparing Year – End 2015 to Year - End 2016

We are pleased to report that 2016 was another year of stable growth in deposits as deposits increased by \$4.15 million (8.52% increase) for Upper Cumberland Federal Credit Union. Total assets also increased by 8.86%.

Outstanding loan balances increased by \$4.07 million (10.51% increase) as several loan promotions were offered throughout the year to encourage members to move existing loan balances from other financial institutions to their own credit union. Your credit union ended Year 2016 with 4,453 outstanding loans while the loan staff approved 6,448 loans and loaned just over \$19.83 million in 2016.

Your credit union continues to experience minimal loan losses and delinquencies. Due to conservative underwriting

standards and efficient loss control practices, loan delinquencies and charge-offs are considerably less than peer averages. Loan delinquency at year end was 0.38% and net charge-offs was 0.12%.

The credit union continued a long history of positive earnings during 2016 due to the membership being loyal to their credit union for financial services and repaying their outstanding loan balances in a timely manner. Your credit union can only succeed when members unite their finances for the betterment of their credit union community. Please encourage your family, friends, and neighbors to consider UCFCU for all of their financial services.

UCFCU STATEMENT OF FINANCIAL CONDITION

	12/31/2015	12/31/2016	\$ Variance	% Variance
Total Loans	\$ 38,699,674.34	\$ 42,765,704.89	\$ 4,066,030.55	10.51
Allowance for Loan and Lease Loss	\$ (131,970.54)	\$ (81,627.12)	\$ 50,343.42	-38.15
Net Loans Outstanding	\$ 38,567,703.80	\$ 42,684,077.77	\$ 4,116,373.97	10.67
Accounts Receivable	\$ (103.13)	\$ 1,123.55	\$ 1,226.68	-1,189.45
Non-Interest Earning Cash	\$ 2,032,923.22	\$ 1,542,613.56	\$ (490,309.66)	-24.12
Total Investments	\$ 8,112,757.78	\$ 9,514,966.73	\$ 1,402,208.95	17.28
Prepaid & Deferred Expenses	\$ 87,183.30	\$ 83,047.94	\$ (4,135.36)	-4.74
Fixed Assets (Net of Depreciation)	\$ 4,174,366.02	\$ 3,779,027.87	\$ (395,338.15)	-9.47
NCUSIF	\$ 471,659.57	\$ 507,880.98	\$ 36,221.41	7.68
All Other Assets	\$ 145,143.33	\$ 224,700.47	\$ 79,557.14	54.81
TOTAL ASSETS	\$ 53,591,633.89	\$ 58,337,438.87	\$ 4,745,804.98	8.86
Accounts Payable	\$ 14,881.80	\$ (3,008.66)	\$ (17,890.46)	-120.22
Dividends Payable	\$ (886.43)	\$ 838.14	\$ 1,724.57	-194.55
All Other Liabilities	\$ 213,041.38	\$ 217,990.15	\$ 4,948.77	2.32
TOTAL LIABILITIES	\$ 227,036.75	\$ 215,819.63	\$ (11,217.12)	-4.94
TOTAL SHARES	\$ 48,720,140.42	\$ 52,870,235.63	\$ 4,150,095.21	8.52
Regular Reserve	\$ 600,000.00	\$ 1,206,926.89	\$ 606,926.89	101.15
Undivided Earnings	\$ 4,044,456.72	\$ 4,044,456.72	\$ 0.00	0.00
TOTAL EQUITY	\$ 53,364,597.14	\$ 58,121,619.24	\$ 4,757,022.10	8.91
TOTAL LIABILITIES AND EQUITY	\$ 53,591,633.89	\$ 58,337,438.87	\$ 4,745,804.98	8.86

MINUTES OF THE 2016 ANNUAL MEETING OF UCFCU

Kathy Tollett, Secretary

The 81st annual meeting of the members of Upper Cumberland Federal Credit Union was held at the Cumberland County Community Complex in Crossville, Tennessee on Tuesday, March 15, 2016 at 5:00 PM. The meeting was called to order by Chair-Person, Zdenka Austin and read to the assembled members the call for meeting which outlined the business to be presented. A quorum was certified present. Since a quorum was present, the Chair-Person declared the meeting officially open for business.

Chair-Person, Zdenka Austin asked for a motion to dispense with the reading of the minutes and reports since everyone attending the meeting had a copy of the minutes and the financial reports. The motion was made, seconded, and approved by the membership.

Mark Wilsie, CPA for the CPA firm (CU Audit and Compliance Group) addressed the credit union membership concerning the supervisory audit that was performed as of June 30, 2015.

VP of Marketing, Brooke Shaffer, discussed the "Just a Dollar" campaign to help the local United Fund. A representative from the United Fund board of directors discussed the United Fund efforts to help local citizens.

Chief Executive Officer, Denise Cooper, stated that the UCFCU Employee of the Year Award was won by two employees due to a tie vote by their peers: Angela Conatser and Erika Leffew.

Denise Cooper gave the Distinguished Service Award to Charity Parham, Mortgage Lending Specialist.

Zdenka Austin explained to the membership that the nominating committee (Leslie Goss, Jerry Swafford, and Sue Taylor) had nominated three people for the three expired positions on the board of directors and the following people were elected by acclamation:

Jerry Wood, Zdenka Austin, and Kathy Tollett

Door prizes were presented to the membership by the credit union staff. After the door prize drawings, the Chair-Person officially asked for a motion to dismiss the meeting. Motion was made, seconded, and passed. There being no further business, the annual meeting adjourned.

UCFCU 2016 Board of Directors



Jerry Wood



Kathy Tollett



Nancy Hyder



Sue Tollett



Thomas Hassler



Tony Brock



Zdenka Austin

SUPERVISORY COMMITTEE REPORT

Donald Threet – Chair

In accordance with current regulations, your Upper Cumberland Federal Credit Union management, policies, procedures, and financial operations are subject to a periodic federal examination by the National Credit Union Administration (NCUA). A supervisory audit is conducted on an annual basis by a CPA firm hired by the supervisory committee. There are also quarterly inspections by the CPA firm.

An annual supervisory audit was conducted on the credit union's financial statements as of June 30, 2016 by the firm of CU Audit and Compliance Group, Certified Public Accountants. A regulatory examination was also performed as of the quarter ending June 30, 2016 by NCUA to review credit union operations, policies, and management.

I am pleased to report that the supervisory audit and the NCUA federal examination showed the credit union to be in sound and stable financial condition. These examinations and audits revealed the credit union to be operating very well, both financially and administratively.



Total # of Loans **4,453** | % of Members with Loans **34%**
 Total % of Loan Growth from 2015 **10.51%**

Total \$ Amount of Loans

\$42,765,704.89



Increase in \$ Donations to the United Fund by Members from 2015 - 2016

383%

Total Amount of \$ donated to Relay for Life by Members and Staff

\$2,382.63



Total Amount of \$ donated to Local Organizations by Employees through Jean Day Fridays (July - Dec)

\$894.00

Total \$ Amount of Savings

\$52,870,235.63

Total % of Savings Growth from 2015

8.52%

Number of Members with Checking Accounts **4,866**

Number of Members with Online Banking

2,570

Total # of Members

7,443

**UPPER CUMBERLAND
 FEDERAL CREDIT UNION**
member owned

Number of Members Using the Mobile App

1,240

Your Credit Union in ACTION!



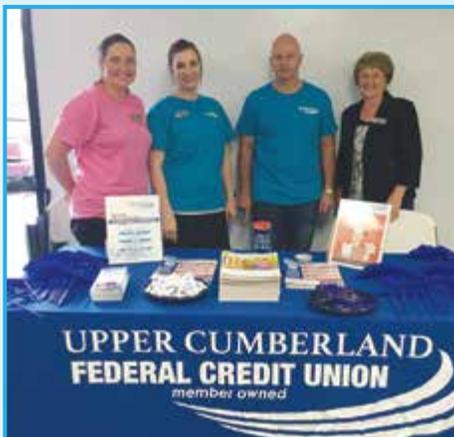
Clarkrange Branch Fun



Free Hot Dog Day at our NEW South Branch



South Fentress Elementary Fall Festival



Super Hero Party 2016 table



Friday at the Crossroads in December 2016 in Crossville



Denise Cooper, UCFCU CEO, Graduation from the Chamber of Commerce Leadership Cumberland Program



Putnam County Cooking on the Square for the Habitat for Humanity



Delivering Goodies to the Cumberland County Sheriffs Office on "Back the Blue Day"

**UPPER CUMBERLAND
FEDERAL CREDIT UNION**
member owned

PO Box 529, Crossville, TN 38557

Crossville / Main Office

627 Livingston Road • Crossville, TN 38555
931.484.9433 • 1.866.243.9433

Crossville / Highway 127 South Branch

9 Southbend Drive • Crossville, TN 38555
931.484.9433 • 1.866.243.9433

Clarkrange

6829 South York Hwy • Clarkrange, TN 38553
931.863.9433 • 1.866.243.9433

ucfcu.org

