

We're in this together





2008

ANNUAL REPORT

*Our People are {our
Roots*

Introduction

Mission

Florida Credit Union is dedicated to serving its membership by offering convenient and competitive products and services that are designed to meet the financial needs of the member/owners while preserving the strength of the cooperative for future generations.

Report of the Board of Directors



Chair
Dr. Jacquelyn Hart

When the Credit Union was established in 1954, your Board of Directors pledged to focus on member needs. 2008 was a year that posed many challenges to consumers and to the national and global economy. However, your Credit Union never lost sight of our original mission – to focus on member needs.

Throughout this report, you will see that Florida Credit Union is as safe and strong as ever. Despite the economic problems, FCU grew more than other credit unions, offered more products and services to members, and remained a sound, well-run financial institution.

In 2008, Florida Credit Union membership took advantage of great rates on deposit accounts and low loan rates. Because of member participation, our assets grew from \$411.6 million to \$427.9 million. Deposits grew over \$9,000,000. Membership increased at a rate of 5.49% which is nearly twice the national average. We also experienced exceptional loan growth which will be detailed in other reports.

The most important measurement of a credit union's soundness is the capital ratio. Florida Credit Union is considered "Well Capitalized" by federal and state examiners, with our year end capital ratio being over 10%.

A primary responsibility of your Board of Directors is to ensure that the operations of the Credit Union meet the needs of the membership. We must also ensure these operations are performed safely and soundly. The reports included in the 2008 Annual Report support our contention that Florida Credit Union is indeed managed in accordance with policies, laws, and regulations. Florida Credit Union is a safe and sound financial institution and is well-situated for the future.

We have come a long way in 54 years and we are determined to continue to meet the needs of our membership and operate within sound financial guidelines.

Dr. Jacquelyn Hart, *Chair*
Dr. Barbara Buys, *Vice Chair*
Dr. Leonard Jackson, *Treasurer*
Dr. John Bonanno, *Secretary*
Mr. Von Fraser, *Director*
Mr. Keith Lerner, *Director*
Dr. John C. Rawls, *Director*



Vice Chair
Dr. Barbara Buys



Secretary
Dr. John Bonanno



Treasurer
Dr. Leonard Jackson



Director
Mr. Von Fraser



Director
Mr. Keith Lerner



Director
Dr. John Rawls

Report of the Credit Manager

The Credit Manager is appointed by the Board and is responsible for the approval of loan applications in compliance with Board approved policies.

In 2008, Florida Credit Union experienced a healthy 9.59% growth rate in loans. We are very proud of this outstanding accomplishment. During 2008 we originated nearly \$144 million in loans of all types. Our commercial loan programs increased 98% in balances.

Our most popular loan products in 2008 were autos and first mortgages. One of the most popular features of FCU mortgages is that the servicing is not sold to other financial institutions. We take pride in the fact that all loans stay here at home where they belong.

We also experienced a great deal of success with a program that offered members a copy of their credit report with a free analysis of that report. More often than not, members discovered that they were paying much higher rates than they should have been paying. Through this free program, we were able to help members reduce their monthly payments, increase their credit score, and take control of their finances. We are excited to be able to continue to offer this very successful program in 2009.

In the coming years, you can expect to see more loan products along with more ways to obtain loans. As usual, FCU rates and terms will be very competitive.

Mr. Mark N. Starr, *Credit Manager*

Report of the President



Since it's founding in 1954, Florida Credit Union has remained a major financial institution in North Central Florida. Our efforts always focus toward one main goal...fulfilling the financial needs of our membership. Because of this very strong focus, FCU did not experience problems other financial

institutions experienced in 2008. We do not conduct business in a risky manner or with risky products so we continue to be very strong financially. We are still offering the same deposit and loan products as we have in past years, we continue to have very competitive rates, and we have not made severe changes to the way we do business. We will continue to keep in mind that this is your Credit Union and we encourage each of you to continue to take

advantage of the benefits of membership. With the help of members who use the products and services we offer, we will continue to succeed without the aid of government bailout money or, more importantly, without changing the way we serve members.

FCU steered clear of the "subprime" lending that caused some of the larger national financial institutions trouble. Instead, we continued to practice responsible lending, working with members to ensure affordable payments were set up. Additionally, we don't place your funds in the investment products that have been affected by this series of events. Therefore our financial performance remains very strong. Florida Credit Union is considered well capitalized by regulator standards. At the end of December, our capital ratio was 10.16%. Regulators consider 6% to be adequate; as you can see our capital ratio far exceeds that mark.

Florida Credit Union had another year of solid, managed growth. Our success can be attributed to you, the owners of the Credit Union, for taking advantage of our deposit and loan products. When we were first established, Florida Credit Union was known as Alachua County Teachers Credit Union. At that time, we had one source of membership – but that was not to last long. Very soon after our first annual meeting in 1955, we started adding more school systems, community colleges, and many groups. After 54 years of expanding our field of membership, we are now a leading financial service provider open to thirteen counties and available to hundreds of thousands of consumers.

In 2008 our loan programs were as successful as ever. Members obtained over \$32,000,000 in first mortgage loans and about \$67,000,000 in auto loans. Close to 12,000 consumer loans were granted in 2008 amounting to over \$143,400,000. In addition, we provided over \$7,500,000 in funding to many businesses in the past 12 months. Thanks to you – our members – we have come a long way since 1954.

We continue to attract new members who have discovered the importance of the credit union difference. In 2008, over 8,700 new accounts were opened. Much of this is due to current member referrals – we thank you for your confidence in our service.

In 2008, Florida Credit Union consistently promoted loan programs that were designed to help members pay less. These proved to be very successful. Over \$18,000,000 in loans were moved from other financial institutions who over-charged members. We were able to save our members over \$2,000,000. That's money they would have otherwise given to finance companies, banks, or credit card companies if they had not taken advantage of our money-saving alternatives.

In 2009 we will continue to focus on our facility and service needs. Florida Credit Union has the most convenient hours of operation in any of our service areas. Members can reach a member of our staff 63 hours each week. Whether inquiring about CD rates or applying for a loan, our staff is available weekdays from

9 am to 8 pm and on Saturdays from 9 am to 5 pm. In addition, we offer loan services by phone 24 hours a day, 7 days a week. FCU understands how busy members are, so we make mortgage and loan services more convenient with this “round the clock” availability. You can talk to a fully-qualified loan officer anytime of the day or night simply by calling a local branch. Additionally, members can apply for loans anytime via our website www.flcu.org.

The board and management of FCU will continue to operate your credit union safely, using guarded and sensible decisions that are rooted by the needs of the membership. As I mentioned previously, our capital ratio of 10.16% far exceeds the 6% ratio required by federal and state examiners. It is because of the diligent and focused efforts of your board and management that Florida Credit Union continues to grow and succeed even in unstable economic environments.

As a member/owner of Florida Credit Union, you belong to a strong, viable financial institution. With our soundness and stability, we are well positioned in today's financial arena to meet your personal financial needs. I urge you to take full advantage of your Credit Union membership.

Mr. Mark N. Starr, *President/CEO*



Report of the Audit Committee

By state law, the Audit Committee is appointed by the Board and charged to oversee the policies and programs of the Credit Union. The committee ensures a comprehensive audit of the books and records is performed and reports the results to the membership.

During the past year, the Audit Committee met with the examination team from the firm of Hutto and Carver, P.A. The comprehensive audit as of September 30, 2008 indicates that the Credit Union is performing to the best benefit of the membership. This same firm performs extensive internal audit work on a quarterly basis. We believe the established policies are being upheld and the operations and programs authorized by the Board of Directors are being well managed.

Our financial performance is highly scrutinized by federal and state examiners as well as the independent auditing firm. All of these groups are charged with ensuring the safety of your funds. Their findings, year after year, are that Florida Credit Union is a well run, financially viable financial institution with exceptional growth and sound management practices. This has not changed and it will not change.

We appreciate the opportunity to serve the membership of Florida Credit Union and encourage all members to take advantage of the many services and benefits offered by your Credit Union.

Dr. John C. Rawls, *Chair*

Mr. Von Fraser, *Member*

Dr. John Bonanno, *Member*

Report of the Treasurer

Florida Credit Union is now serving over 48,000 members. In 2008, Florida Credit Union experienced a healthy 9.59% growth in loans. Actually we experienced healthy growth in all areas. Other statistics can be found in the Report of the Board of Directors and the President's Report. As compared to credit unions statewide and nationally, Florida Credit Union tends to grow at or above average trends year after year – 2008 was not an exception. All of this can be attributed to the amount of business our members conduct with us.

On the following pages we present a breakdown of the assets and liabilities of Florida Credit Union. You will notice that our assets as of December 31, 2008, were \$427,900,716, which is an increase over 2007 of 3.95%. Additionally, our capital ratio remains extremely strong at over 10%. You can see why the board, management and staff of your Credit Union are so proud of the successes we have experienced.

Dr. Leonard Jackson, *Treasurer*

The Credit Union Difference

As members of Florida Credit Union, account holders are eligible for a variety of financial products and services. Free checking, checking with interest, club accounts, loans of any kind, credit cards, check cards, online banking, the list goes on and on. But the real difference lies in the nature of our organization – we are a financial service cooperative.

Cooperatives are customer-owned organizations. In other words, the people who own Florida Credit Union are the people who make deposits, take out loans, and keep their savings at FCU. That's you – you are a member/owner. Your Credit Union can never be bought or sold. This is in stark contrast to the banking industry where community or state banks are built up and later sold to large out of the area banks. In this case, the stockholders usually profit greatly and the customers receive no benefits. Many times service levels are actually diminished after the buyout.

With Florida Credit Union, the stockholders and customers are the same people. Profits earned by the Credit Union are retained as capital to meet regulatory requirements and for expansion of the Credit Union and its service offerings. With a bank, the goal is to maximize the profit of its stockholders which is a totally different group than its customers. That is the Florida Credit Union difference.

Our goal is to maximize the service/value relationship with our customer/owners while building and maintaining the strength of Florida Credit Union so it is here to serve future generations. Florida Credit Union continues to utilize the cooperative principles of:

1. Voluntary and Open Membership

FCU is open to all persons in our state approved field of membership who are interested in using our services and willing to accept the responsibilities of membership.

2. Democratic Member Control

The member/owners of FCU choose the individuals who serve as elected trustees.

3. Member Economic Participation

Member/owners benefit proportionately to their level of participation from full utilization of the products and services that are available through the organization.

4. Autonomy and Independence

Financial service is offered to the member/owners who control the organization.

5. Education, Training, and Information

Information is provided to members, elected representatives, and staff to ensure further development of the organization.

6. Cooperation Among Cooperatives

Working with local, regional, national, and international groups to advance knowledge and service availability.

7. Concern for the Community

Providing services and programs to benefit the members of the community.

As a Florida Credit Union member, you are an owner of one of the strongest financial institutions in North Central Florida. Take advantage of ownership privileges such as free checking products, free auto advisory service, or a personal consultation with a member service specialist. Then help your credit union grow by spreading the word about the credit union difference.

Statement of Financial Condition

AS OF DECEMBER 31, 2008

ASSETS: 2008

Loans	\$	366,695,564
Less: Allowance for Loan Loss	\$	<u>(2,919,211)</u>
Net Loans	\$	363,776,354
Cash on Hand	\$	3,728,734
Investments, at Amortized Cost	\$	38,121,598
Fixed Assets, Less Accum Depreciation	\$	11,445,857
NCUSIF Deposit	\$	1,587,126
Other Real Estate Owned	\$	3,460,391
Loans Held for Sale	\$	795,800
Other Assets	\$	<u>4,984,856</u>
Total Assets	\$	427,900,716

LIABILITIES AND MEMBERS' EQUITY: 2008

Members' Shares & Savings Accounts	\$	361,754,579
Non-Member Deposits	\$	598,000
Accounts Payable	\$	5,204,656
FHLB Borrowing	\$	15,000,000
Other Accrued Liabilities	\$	<u>1,848,707</u>
Total Liabilities	\$	384,405,941

Members' Equity

Regular Reserve	\$	2,519,688
Undivided Earnings	\$	40,975,087
Unrealized Gain/(Loss) on Security		<u>0</u>
Total Equity	\$	43,494,775
Total Liabilities and Members' Equity	\$	427,900,716

Statement of Operations

AS OF DECEMBER 31, 2008

INCOME: 2008

Interest on Loans	\$	28,460,954
Income on Investments	\$	875,302
Other Income	\$	<u>14,120,602</u>
Total Income	\$	43,456,859

EXPENSES:

Employee Compensation and Benefits	\$	9,491,707
Office Operations	\$	4,368,242
Office Occupancy	\$	1,061,425
Professional and Outside Services	\$	2,524,814
Provision for Loan Loss	\$	4,855,477
Education and Promotional	\$	2,888,391
Loan Servicing	\$	1,604,546
Other Miscellaneous	\$	<u>2,879,383</u>
Total Expenses	\$	29,673,984

Income Before Cost of Funds \$ 13,782,875

Non-Operating Gains or Losses:

Gain/(Loss) on Investments	\$	–
Gain/(Loss) on Disposition of Assets	\$	(307,300)

Total Net Income Before Cost of Funds \$ 13,475,575

Cost of Funds:

Dividends and Interest	\$	10,672,326
Interest on Borrowed Funds	\$	<u>556,929</u>
Net Income	\$	2,246,320

Consumer Products and Services

FCU Services

- Free Checking Accounts
- \$500,000 Share Insurance Coverage
- Youth Accounts
- Money Market Accounts
- Savings Accounts
- Vacation and Holiday Accounts
- Auto and Boat Loans
- Auto Advisory Service
- Free Credit Reports
- Personal Loans
- IRAs and CDs
- Investment Services
- Mortgages
- Home Equity Loans
- Business Accounts and Loans

Free Seminars

- First Time Home Buyers Workshops
- Investment Seminars
- Managing Consumer Credit
- Managing a Checking Account
- Auto Buying
- Fraud

Convenience Services

- 8 locations throughout Gainesville, Ocala, Starke and Lake City to serve our members.
- Extended lobby and call center hours
Mon – Fri 9 a.m. – 8 p.m.
Saturday 9 a.m. – 5 p.m.
- 24/7 Loans
- Visa® Debit Cards
- Visa® Credit Cards
- Local, Fast Decisions

Electronic Services

- Payroll Deduction
- Direct Deposit
- Online Bill Payer
- 24-hour ATMs
- Free Internet Banking
- Info 24 (Automated phone banking)



Membership

Membership in Florida Credit Union is open to all residents of Alachua, Bradford, Citrus, Clay, Columbia, Gilchrist, Lake, Levy, Marion, Putnam, Sumter, Suwannee, and Union Counties.

Locations

43rd Street Office

2831 NW 43rd St.
Gainesville
352-377-4141

Advantage Center at 13th Street

3720 NW 13th St.
Gainesville
352-377-4141

Haile Market Square

2785 SW 91 St.
Gainesville
352-377-4141

Lake City Office

586 West Duval
Lake City
386-755-4141

Ocala Office

2424 SW 17 Rd.
Ocala
352-237-8222

Advantage Center at Silver Springs

3504 East Silver Springs Blvd.
Ocala
352-237-8222

Steeplechase Shopping Center

8585 SW State Road 200
Ocala
352-237-8222

Starke Office

2460 Commercial Drive
Starke
904-964-1427

Mailing Address

P.O. Box 5549
Gainesville FL 32627-5549

Outside Local Calling Areas

(800) 284-1144

Visit Florida Credit Union On The Web

www.flcu.org