

Latitude 32 Federal Credit Union

65th Annual Meeting

2017

Annual Report



Latitude 32
credit union

Annual Meeting Agenda

January 25, 2018 • 5:30 p.m

Call to Order

Ascertain that A Quorum Is Present

Pledge of Allegiance

Please Stand

Moment of Silence

Please remain standing, in memory of our departed credit union members.

Introductory Remarks

Minutes of Last Year's Annual Meeting

Chairman's Report

President's Report

Supervisory Committee Report

Unfinished Business from Last Year

New Business Other Than Elections

Length of Service Awards

Elections

Adjournment



Latitude 32[®]
credit union

Meeting Minutes from the 2017 Annual Meeting

Mr. Billy Hudson, Chairman of the Board of Directors, called the meeting to order at 5:30 pm on January 26, 2017 at the main office of Latitude 32 Federal Credit Union at 1845 Sam Rittenberg Boulevard, Charleston, SC. Mr. Hudson led the membership in the Pledge of Allegiance to the flag of the United States of America.

Following the Pledge of Allegiance, a moment of silence was observed for our departed credit union members.

At Chairman Hudson's request, Mr. Robert Gleaton, Secretary of the Board of Directors, ascertained that a quorum was present. Mr. Chris Quick asked for a motion to dispense with the reading of the Minutes from the 2016 Annual Meeting and approve them as published. A motion was made and seconded to dispense with the reading of the 2016 Annual Meeting Minutes and to approve them as published. All members present unanimously voted in favor of the motion.

OLD BUSINESS

Mr. Hudson then presented the Chairman's Report. His report is contained in the 2016 Annual Report that was distributed to all attendees. He introduced the individual members of the Board of Directors and thanked them for their contributions to representing the membership of the Latitude 32 FCU during the previous year.

Mr. Hudson introduced Mr. Marcus Rhymer, President of Latitude32 FCU, who presented the President's Report to the members. His report is contained in the 2016 Annual Report. He introduced the members of our professional staff and thanked them for their contributions to the Credit Union's success during the previous year.

Mr. Hudson introduced Ms. Carol Onorato, Chairperson of the Supervisory Committee, to present the Supervisory Committee Report. Her report is contained in the 2016 Annual Report. She stated that the primary purposes of the Supervisory Committee is to ensure the accuracy and soundness of the accounting practices and that all appropriate Rules and Regulations are being followed at Latitude 32 FCU. Additionally, the Supervisory Committee represents and responds to members' needs and concerns. She also stated that based on the results of our audits and examinations, it is the opinion of the Supervisory Committee that the assets of our credit union are being managed competently and professionally.

Following the presentation, Mr. Hudson asked if there was any unfinished business to come before the members. There being none, he concluded the Old Business portion of the meeting.

NEW BUSINESS

Mr. Hudson asked if there was any new business, other than elections, to come before the members.

Mr. Rhymer indicated that he had some New Business that needed to come before the membership. After being recognized by Mr. Hudson, Mr. Rhymer presented a Latitude 32 Length of Service Award to Jennifer Isome, which recognized her attainment of 5 years of service to our members and staff. Mr. Rhymer also presented a Latitude 32 Length of Service Award to Kristi Heupel, which recognized her attainment of 5 years of service to our members and staff. Mr. Rhymer presented a Latitude 32 Length of Service Award to Whitney Armstrong, which recognized her attainment of 10 years of service to our members and staff. Mr. Hudson presented a Latitude 32 Length of Service Award to Marcus Rhymer, which recognized his attainment of 15 years of service to our members and staff.

Mr. Hudson next introduced Mr. Chris Quick, Chairman of the Nominating Committee. Mr. Quick reported that there were no nominations by petition received by the Committee. He then presented the Committee's recommendations and nominated the following members who have agreed to serve as volunteers on the Board of Directors for a two-year term: Ms. Joanne Alexander, Mr. Robert Gleaton and Mr. Richard Fery. Mr. Hudson thanked Mr. Quick and the Nominating Committee for their efforts. A motion was made and seconded that the candidates be accepted by acclamation. All members present voted unanimously to accept the slate as presented.

There being no further business to come before the membership, Mr. Hudson adjourned the business portion of the Annual Meeting.

Respectfully Submitted,

Robert Gleaton

Robert Gleaton
Secretary of the Board of Directors

Election of Board Officers

Latitude 32 FCU • January 26, 2017

Immediately following the adjournment of the 2017 Annual Meeting, The Board of Directors met to elect the Board Officers for the term January 26, 2017 until our next Annual Meeting in 2018.

The results of the elections are as follows:

Mr. Billy Hudson, Chairman

Mr. Chris Quick, Vice Chairman

Mr. Robert Gleaton, Secretary

Ms. Candice Herriott, Treasurer

Respectfully Submitted,

Robert Gleaton

Robert Gleaton
Secretary of the Board of Directors

Chairman's Report

On behalf of the Board of Directors, it is my pleasure to report to you, as members and owners of Latitude 32 Credit Union, that your Credit Union closed the operating year of 2017 in sound financial condition and the Credit Union is in compliance with standards applied by the NCUA for financial soundness and stability. I would like to thank the officers and staff of our Credit Union for the effort they put forth to implement the changing rules and regulations that continue to take place on an ongoing basis.

In 2017, we experienced a slight increase from the record low interest rates of the past several years. While rates are still low, we have begun to see an increase in Latitude 32's loan interest income. The economy is making a recovery and continues to move in the right direction. The continuation of the forecasted gradual increase in interest rates is welcome news to Latitude 32 and to the financial industry as a whole. Our service area continues to experience growth as new industries and manufacturing facilities come to the lowcountry. As Charleston continues to grow, Latitude 32 is ready to meet the increased demand of our members and potential new members relocating to the area. Be assured that the officers, staff and volunteers are working diligently to manage your Credit Union's resources efficiently and to produce the maximum possible benefit to our members.

I would like to express my gratitude for the time and support that each of our Board of Directors and Supervisory Committee volunteers give so freely to our Credit Union. I will take just a moment now to introduce to you to the Board of Directors.

I ask each of you to continue your support of Latitude 32 and to tell someone you know, about how Latitude 32 has made a positive impact on you and your family. Tell your family, friends, and co-workers why you have confidence in Latitude 32. We'll do our best to make them feel comfortable every time they come in to our West Ashley or VA branch.

Ladies and Gentlemen, thank you for your continued support. It is an honor and privilege for me to serve Latitude 32 Credit Union as your Board Chairman.

Thank you for attending today. I look forward to seeing you next year.

Sincerely,



Billy Hudson
Chairman, Board of Directors

President's Report

I join with Chairman Hudson in welcoming you to the Sixty-fifth Annual Meeting of your credit union. This evening, it is my responsibility and pleasure to report to you that Latitude 32 Federal Credit Union ended its 2017 fiscal year as a very safe, member oriented and prosperous credit union. As a result of the hard work of your Board of Directors and Supervisory Committee, along with your professional staff's dedication to serving our members, Latitude 32 has once again received a five-star, superior rating from BauerFinancial, Inc., the nation's leading independent bank and credit union rating and research firm.

We are proud of serving our members and the results we have accomplished. Through these efforts, you are recipients of some of the best service and financial products available in the Charleston market. Our service philosophy, "A Better Way of Banking" highlights what membership in Latitude 32 is all about: people coming together to form a democratically controlled, not-for-profit, financial cooperative. Through the cooperative efforts of all members and staff, we each gain financial strength, which can lead to better financial lives for our families.

When our members do well and prosper, we know that we are attaining the decades-old mission of the founding fathers of credit unions in America, which reads, "not for profit, not for charity, but for service". Latitude 32 had a fantastic 2017 and we are prepared to move forward into 2018 and face the economic challenges that the new year will present to our members and to us.

The financial results, which you can find in your Annual Report, reflect our continuing efforts to provide high-quality financial products and services to our membership. We ended 2017 with \$52,874,362 in total assets, which represents an increase of \$1,218,427 over year-end 2016. Loans increased significantly from 2016 to 2017 as we assisted more than 1,500 families in purchasing something they needed. We ended the year with all-time record of \$41,192,178 in total loans outstanding. This 4.4% increase in loans outstanding, allowed us to end 2017 with more loans, to more members than ever before in our sixty-five year history.

In today's world, the safety and soundness of the financial institution with whom you choose to do business is more important than ever. I believe it is critical that I remind everyone that your Board of Directors, supported by our Supervisory Committee, is serious about their responsibility of providing a safe and sound credit union into which you can place your trust. One of the ways they help provide for the safety and soundness of Latitude 32 is by regularly setting aside substantial amounts of our earnings into our Regular Reserve and Undivided Earnings accounts, which together make up our Capital Accounts. This money is set aside to help protect and reassure our members that during times of financial stress (periods of loss or negligible earnings); our Credit Union can continue to provide financial services. Your Board of Directors is dedicated to helping make Latitude 32 one of the safest and most secure financial institutions in Charleston. In 2017, our Capital increased by \$372,751, giving our credit union a year-end reserve total of \$5,482,168. This is our largest Capital increase in ten years.

Finally, I would like to thank you for your membership in Latitude 32. By joining, you united with thousands of other Charlestonians who were seeking a better place at which to conduct their financial business. A better place, where *individuals* and *their* needs matter to the institution. As a member of Latitude 32, you are united with more than one hundred million other Americans who believe that owning your own financial cooperative is far superior to having to do business with a bank that is owned and controlled by for-profit investors. I hope each of you will carry our message of creating value for our members, back to your families, friends and into your neighborhoods.

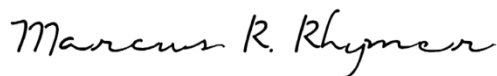
Our members should be confident that the decision to give their business to Latitude 32 was financially sound and correct. We have listened to our member's financial needs and because of that, we will be adding new products and services which will offer additional safety and convenience for our members. From Online Payments and Remote Deposit Capture, among other new products and services, we will continue helping members achieve their financial goals.

This evening, it is my pleasure to introduce you to the people that faced the challenges and had the personal satisfaction of operating your credit union in 2017, your professional staff. By working alongside these individuals in various departments over the past sixteen years, I know firsthand of the hard work they do for our members every day. They truly care about the financial and personal well-being of each member of Latitude 32. Please join with me in expressing our thanks for a "job well-done".

In closing, let me say that it is clear from our successes that our members find that their credit union offers them a unique financial opportunity not found elsewhere in Charleston. Our credit union offers most of the products and services that large institutions offer, along with the personal member service that isn't found anywhere in Charleston. Further, I assure you that providing value to our members' relationships with the Credit Union is always in the minds of your Board of Directors, Supervisory Committee and professional staff.

Thank you for participating in this Annual Meeting of your credit union. As always, your comments and suggestions are welcome.

Respectfully Submitted,



Marcus R. Rhymer
President/CEO

Supervisory Committee Report

The Supervisory Committee of Latitude 32 Credit Union is composed of three Credit Union member-volunteers who are not employees of Latitude 32. Your Committee members are Ms. Carol Onorato, Mr. Robert Gleaton and Mr. David Warren.

The primary role of your Supervisory Committee is to help ensure that the Credit Union's accounting records are accurately and fairly stated, that proper accounting and internal controls are in place and are being followed, that the Credit Union is in compliance with state and federal laws, and that our members' best interests are being served. As part of our compliance responsibilities, the Committee has instituted an ongoing program to help ensure that your Credit Union is in full compliance with the USA Patriots Act, the ethics requirements of the Gramm-Leach Bliley Act and the Dodd-Frank Act. Just as importantly, your Supervisory Committee is attentive to members' privacy and any other general concerns.

To help fulfill these responsibilities, the Supervisory Committee relies on the informed assessments of several, outside, professional organizations. The Certified Public Accounting firm of Cantey, Tiller, Pierce & Green, LLP, as of March 31, 2017 performed our annual Supervisory Committee Audit and our annual Bank Secrecy Act (BSA) compliance audit. The audit was made in accordance with Generally Accepted Auditing Standards and included such tests of the accounting records and such other auditing procedures as they and the Supervisory Committee considered necessary. Additionally, Cantey, Tiller, Pierce & Green, LLP was engaged to perform quarterly interim audits, loan audits, compliance audits and surprise cash counts during 2017.

Latitude 32 also retains the services of Mr. Todd Sherpy, Attorney at Law and the Sherpy-Jones Law Firm for our general legal representation including compliance, contract, collection, and consumer law. Mr. Sherpy is a nationally acclaimed credit union and compliance law expert and has served the members of Latitude 32 for many years.

Your Supervisory Committee engages these firms to perform these activities to help ensure the safety and soundness of the assets that have been entrusted to Latitude 32 by its members. Based on our reviews and the results of these audits, it is the opinion of your Supervisory Committee that the assets of our credit union are safe, are being managed competently and professionally and our members' best interests continue to be a top priority.

Respectfully Submitted,



Carol Onorato
Chairperson, Supervisory Committee

BALANCE SHEET

Assets	2013	2014	2015	2016	2017
Loans to Members	\$30,192,295	\$33,622,562	\$36,485,057	\$39,438,623	\$41,192,178
Indirect Loan Fees	504,783	664,204	753,959	730,162	631,794
Repossessions	68,625	1,450	29,493	19,125	60,675
Allowance for Retail Loan Losses	(71,680)	(69,564)	(70,184)	(144,700)	(89,712)
Allowance for Indirect Loan Losses	(103,197)	(94,654)	(86,113)	(62,794)	(133,091)
Cash and Investments	18,254,224	15,042,820	12,686,641	10,848,524	10,360,527
Land and Building	598,676	565,249	531,823	499,902	469,653
Furniture and Equipment	69,262	123,606	103,662	64,417	53,673
Other Assets	242,729	304,753	257,095	262,676	328,665
Total Assets	\$49,755,717	\$50,160,425	\$50,691,433	\$51,655,935	\$52,874,362
Liabilities & Member Equity					
Accounts Payable	\$17,298	\$8,571	\$8,338	\$128,630	\$148,262
Accrued Dividends Payable	0	0	0	0	0
Other Liabilities	216,923	272,430	312,458	308,903	393,628
Total Liabilities	234,221	281,002	320,796	437,533	541,890
Member Investments	\$44,929,905	\$45,072,338	\$45,396,334	\$46,108,986	\$46,850,304
Regular Reserve	445,265	445,265	445,265	445,265	445,265
Undivided Earnings	4,146,326	4,361,821	4,529,038	4,664,151	5,036,903
Total Equity	49,521,496	49,879,424	50,370,637	51,218,402	52,332,472
Total Liabilities and Member Equity	\$49,755,717	\$50,160,425	\$50,691,433	\$51,655,935	\$52,874,362

Income Statement

Income	2013	2014	2015	2016	2017
Interest from Loans	\$1,472,167	\$1,317,116	\$1,498,198	\$1,579,154	\$1,675,407
Investment Income	68,716	55,111	48,851	67,271	91,038
Miscellaneous Income	1,199,286	1,306,339	1,197,593	1,262,065	1,196,170
Total Income	<u>\$2,740,169</u>	<u>\$2,678,565</u>	<u>\$2,744,642</u>	<u>\$2,908,490</u>	<u>\$2,962,615</u>

Expenses					
Compensation & Benefits	\$1,039,482	\$1,018,319	\$1,079,083	\$1,114,156	\$1,048,318
Office Occupancy & Operations	548,976	587,768	611,213	650,036	600,344
Professional & Outside Services	249,715	249,602	274,882	320,043	265,911
Promotional & Annual Meeting	32,323	59,852	56,322	47,485	65,521
Loan Loss Provision	143,637	77,600	68,126	178,576	131,518
Other Expenses	412,920	319,446	370,869	363,906	385,576
Total Operating Expenses	<u>\$2,427,053</u>	<u>\$2,312,586</u>	<u>\$2,460,495</u>	<u>\$2,674,202</u>	<u>\$2,497,188</u>
Dividends to Members	\$216,933	\$150,485	\$116,930	\$99,174	\$92,676
Non - Operating Income or (Expense)	\$0	\$0	\$0	\$0	\$0
Net Income	<u>\$96,183</u>	<u>\$215,494</u>	<u>\$167,217</u>	<u>\$135,114</u>	<u>\$372,751</u>