

Annual Report 2009

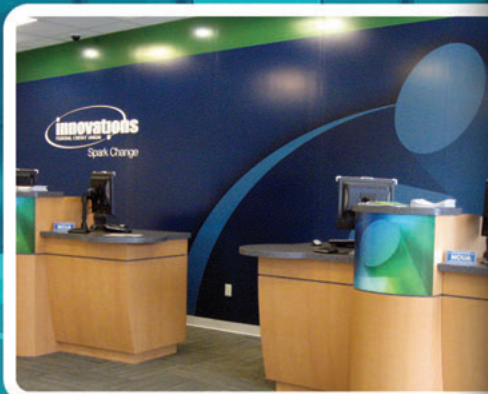


Spark Change

innovations  
FEDERAL CREDIT UNION

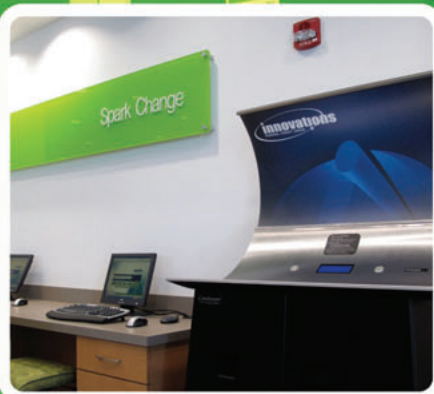
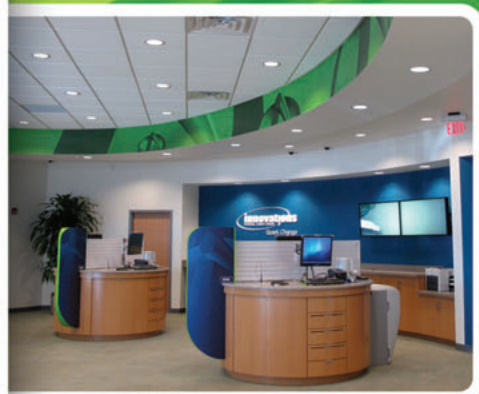


"A vision requires imagination  
Turning that vision into real



Callaway, 1st Quarter 2009





Lynn Haven, Early 2nd Quarter 2009

2009 was a year in which the challenges in the financial sector and the economy continued to present themselves. Throughout the year at Innovations FCU we continued our vigilance of the economy and tried to predict the unpredictable.

Our steadfast commitment to providing our members with the best products and services at competitive rates and yields remained our focus. At the same time you can be certain we have paid special attention to all areas of the balance sheet and income statement to keep them healthy during these challenging times.

On a national level the implications from the financial sector affected us by an assessment NCUA imposed on all credit unions, as well as the required write-down of our investment in our corporate credit union, Southeast Corporate. Despite this unplanned expense, your credit union is successfully weathering this economic storm.

As we enter into 2010 I can assure you that your credit union is well managed and committed to success. Our overall mission has been, and will continue to be, financial stability and soundness. At the same time we continue to position our credit union for long-term growth and expansion—geographically, technologically and through product and service enhancements along with process improvement.

On behalf of the Board of Directors of Innovations FCU, thank you for the trust you have placed in us to continue to successfully guide this excellent institution into the future.

Sincerely,



**James Kott**  
Chairman  
Board of Directors

2009 was a year of unprecedented instability in the financial sector of the economy. Our focus remained to try and predict the unpredictable and navigate uncharted waters that were rapidly taking a toll on financial institutions—both large and small. The negative pressure on the banks and credit unions mainly resulted from poor investment decisions made by the commercial banks as well as our corporate credit unions.

On January 28, 2009 all credit unions were informed that we would be liable for an assessment to NCUA in the amount of \$345,000 as well as a write-down of our required deposit in the NCUSIF fund of \$1.1 million. Upon the advice of our accounting firm, Nearman and Associates, we re-stated our December 31, 2008 financial statements to reflect the required assessment and write-down. During the second quarter of 2009, the NCUA adjusted their forecast of the assessment, and our liability was reduced to \$199,000. NCUA also communicated that we would not be required to write-down the NCUSIF deposit. The adjustments were reflected in the 2009 financial statements.

In the meantime, Southeast Corporate FCU informed us that we would be required to write-down 30% of our paid-in capital investment with their credit union. We recorded the write-down in July only to be informed in August by Southeast Corporate that we would be required to write-down the entire investment balance of \$295,000. Through prudent management I am pleased to report that our end of the year net income exceeded the budgeted amount for the year.

Our focus for 2009 remained to grow the foundation of our credit union, and despite the unplanned assessments, we were able to continue this growth, although not as profoundly as we had planned. Our overall mission has been, and will continue to be, financial stability and soundness. Innovations remains committed to offering the best products and services at the most competitive rates and yields while at the same time steadfastly focusing on our promise to “provide member service that exceeds expectations throughout each stage of our members’ lives.”

To enhance convenient access to our branch locations we completed the remodel of our Jenks Avenue branch office and we opened our new Callaway branch to serve the east side of our membership area. We are also very excited about the opening of our new state-of-the-art flagship branch to more fully serve the northern portion of our community in the Lynn Haven area.

Going forward, strong, steady and measured growth is our objective concentrating more heavily on building our net worth. Regulatory reform is also predicted and we are dedicated to the challenge of succeeding and prospering within the parameters that are established. Once again, allow me to assure you that we are keeping a watchful eye on the financial well being of your credit union as we all continue to experience these difficult economic times. However, we are optimistically looking forward to 2010 and all of the opportunities the future holds for your credit union.

Sincerely,



**David A. Southall**  
President/CEO

Once again, we continued to enjoy double-digit membership growth in 2009. Our membership grew in excess of 12% compared to our peer's membership growth of only 1.2%. Our assets also grew to \$153 million as of December 31, 2009. We continue to out-perform our peer credit unions in many critical areas. 2009 was a year the National Credit Union Administration (NCUA) required an assessment and the corporate credit unions were forced to require a write-down of the investments we held. Despite these unpredictable events your credit union had a respectable year.

The Federal Reserve Board has held rates at record lows and the economy continues to struggle. Going forward we are mindful of these circumstances and have intentionally slowed our loan growth and controlled expenses in an effort to maintain a healthy net worth.

2010 will prove to be another challenging year for the financial sector and the economy, both nationally and locally. The regulatory environment is also another area that will have implications for your credit union. I have confidence in the talent and experience of the management team at Innovations to continue to successfully lead us through uncertain times.

On behalf of myself, and the entire Board of Directors, I would like to thank you for your continued support of Innovations Federal Credit Union.

Sincerely,



**Rob Fernandez**

Treasurer  
Board of Directors

Description	2009	2008*	CHANGE
<b>ASSETS:</b>			
CASH AND CASH EQUIVALENTS	\$1,399,664	\$2,006,782	\$(607,118)
<b>INVESTMENTS:</b>			
AVAILABLE-FOR-SALE	1,757,650	3,548,858	(1,791,208)
OTHER	19,515,717	16,369,189	3,146,528
LOANS RECEIVABLE, NET OF ALLOWANCE			
FOR LOAN LOSSES	116,017,058	101,603,500	14,413,558
ACCRUED INTEREST RECEIVABLE	651,409	619,319	32,090
PROPERTY AND EQUIPMENT, NET	9,683,247	8,390,592	1,292,655
NCUSIF DEPOSIT	1,307,796	240,965	1,066,831
REPOSSESSED ASSETS	1,872,065	1,350,865	521,200
OTHER ASSETS	1,028,778	1,006,714	22,064
<b>TOTAL ASSETS</b>	<b>\$153,233,384</b>	<b>\$135,136,784</b>	<b>\$18,096,600</b>
<b>LIABILITIES:</b>			
MEMBERS' SHARE AND SAVINGS			
ACCOUNTS	\$139,688,567	\$119,976,715	\$19,711,852
NOTES PAYABLE	0	2,636,000	(2,636,000)
ACCOUNTS PAYABLE AND OTHER			
ACCRUED LIABILITIES	1,404,635	1,876,378	(471,743)
<b>TOTAL LIABILITIES</b>	<b>\$141,093,202</b>	<b>\$124,489,093</b>	<b>\$16,604,109</b>
<b>MEMBERS' EQUITY:</b>			
REGULAR RESERVE	\$2,135,057	\$2,135,057	\$0
UNDIVIDED EARNINGS	8,460,869	8,827,922	(367,053)
UNREALIZED GAIN ON INVESTMENTS	7,650	51,764	(44,114)
NET INCOME (LOSS)	1,536,606	(367,052)	1,903,658
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$12,140,182</b>	<b>\$10,647,691</b>	<b>\$1,492,491</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$153,233,384</b>	<b>\$135,136,784</b>	<b>\$18,096,600</b>

\*2008 has been adjusted to reflect the NCUA assessment and write-down.

## Statement of Income

AS OF DECEMBER 31

Description	2009	2008*	CHANGE
<b>INCOME:</b>			
INTEREST INCOME ON LOANS	\$9,136,364	\$8,071,203	\$1,065,161
INTEREST INCOME ON INVESTMENTS	582,040	817,215	(235,175)
<b>TOTAL INTEREST INCOME</b>	<b>\$9,718,404</b>	<b>\$8,888,418</b>	<b>\$829,986</b>
INTEREST EXPENSE	2,838,083	2,930,536	(92,453)
<b>NET INTEREST INCOME</b>	<b>\$6,880,321</b>	<b>\$5,957,882</b>	<b>\$922,439</b>
PROVISION FOR LOAN LOSS	926,000	1,000,000	(74,000)
<b>INTEREST INCOME AFTER PROVISION</b>	<b>\$5,954,321</b>	<b>\$4,957,882</b>	<b>\$996,439</b>
INCOME FROM FEES & CHARGES	\$2,210,492	\$2,190,232	\$20,260
(LOSS)/GAIN ON INVESTMENTS	(295,555)	70,831	(366,386)
LOSS ON ASSETS	(163,159)	(98,261)	(64,898)
NON-OPERATING INCOME	795,398	0	795,398
<b>INCOME BEFORE OPERATING EXPENSES</b>	<b>\$8,501,497</b>	<b>\$7,120,684</b>	<b>\$1,380,813</b>
<b>EXPENSES:</b>			
SALARIES & EMPLOYEE BENEFITS	\$3,326,868	\$ 2,950,914	\$375,954
VOLUNTEER & EMPLOYEE RELATIONS	68,384	109,295	(40,911)
OFFICE OCCUPANCY	400,268	302,032	98,236
OFFICE OPERATIONS	1,024,874	872,314	152,560
MARKETING & MEMBER RELATIONS	557,981	691,469	(133,488)
LOAN SERVICING	976,733	729,521	247,212
PROFESSIONAL & OUTSIDE SERVICES	533,344	478,967	54,377
MEMBERS' INSURANCE	(117,294)	1,166,099	(1,283,393)
OTHER OPERATING EXPENSES	193,733	187,125	6,608
<b>TOTAL EXPENSES</b>	<b>\$6,964,891</b>	<b>\$7,487,736</b>	<b>\$(522,845)</b>
<b>NET INCOME</b>	<b>\$1,536,606</b>	<b>\$(367,052)</b>	<b>\$1,903,658</b>

\*2008 has been adjusted to reflect the NCUA assessment and write-down.





**James Kott**  
*Chairman*



**Darius Goodin**  
*Vice Chairman*



**Gloria Sanchez**  
*Secretary*



**Rob Fernandez**  
*Treasurer*



**Kenneth J. Baumann**  
*Director*



**Albert (Ted) E. Dempsey III**  
*Director*



**Craig Ellis**  
*Director*



**Clif Parker**  
*Director*



**Joseph Rudolph**  
*Director*

The primary objective of the Supervisory Committee is to oversee and monitor the activities of the credit union, and to protect the members' rights. In this role, we review the activities of Innovations Federal Credit Union on behalf of the membership, ensuring management practices are protecting the members' assets, that policies and procedures are being administered properly, and the safeguards against fraud and conflict of interest are consistently employed. The committee is comprised of five volunteers appointed by the Board of Directors.

The Committee also provides an independent assessment of the safety and soundness of your credit union. An outside firm verifies the accuracy of member account statements, financial statements, and compliance with federal regulations and policy. The firm of Nearman, Maynard and Vallez, Certified Public Accountants, performed this audit as of June 30, 2009.

In addition, the National Credit Union Administration (NCUA), the regulatory agency of credit unions, conducted a comprehensive examination of your credit union as of September 30, 2009. The NCUA examiner's report was complimentary with no discrepancies noted.

Upon examination of all reports, documents and findings, the Supervisory Committee is of the opinion that Innovations Federal Credit Union is financially sound and well managed. We commend the Board of Directors, Management and Team Members of Innovations FCU.

On behalf of the Supervisory Committee, we appreciate the opportunity to serve you.

Sincerely,



**Kenneth White**

Chairman  
Supervisory Committee

INNOVATIONS FEDERAL CREDIT UNION

## Gross Loans

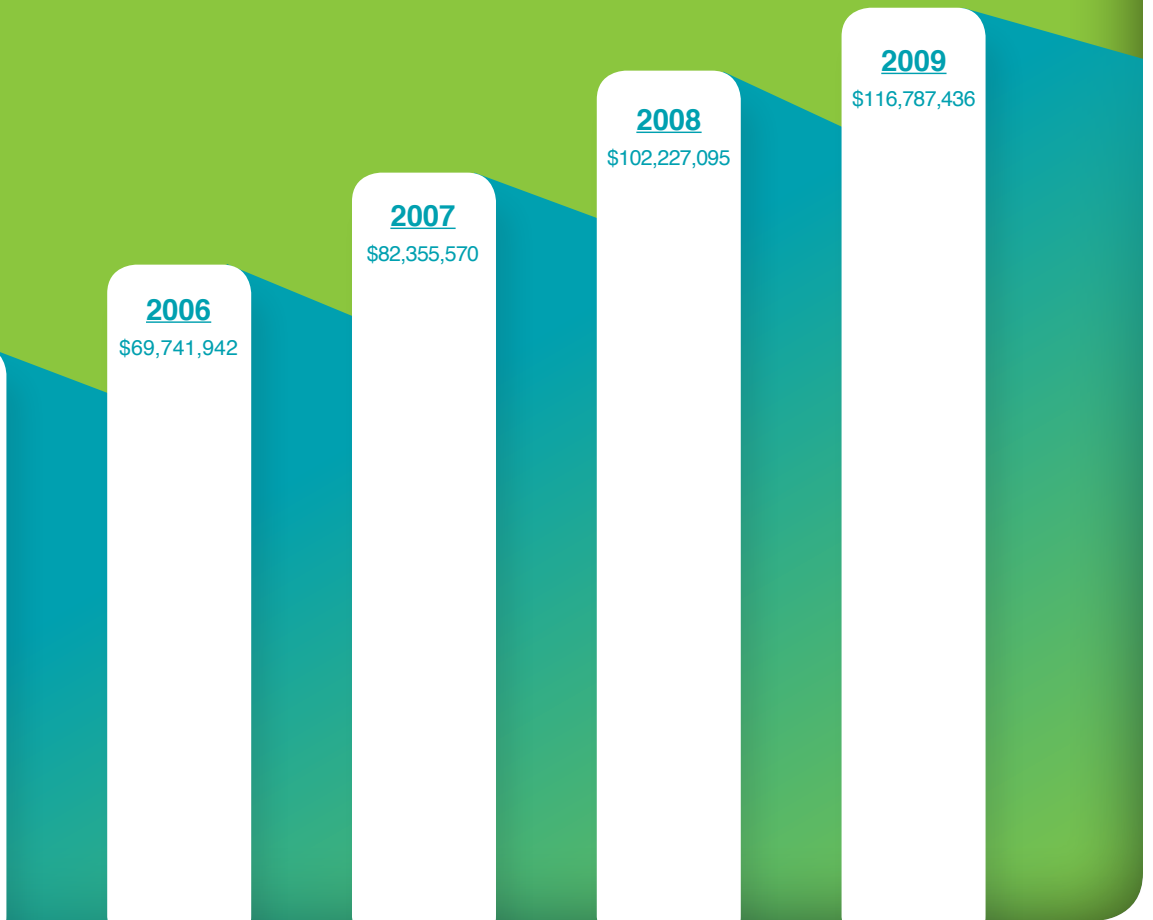
**2005**  
\$56,509,155

**2006**  
\$69,741,942

**2007**  
\$82,355,570

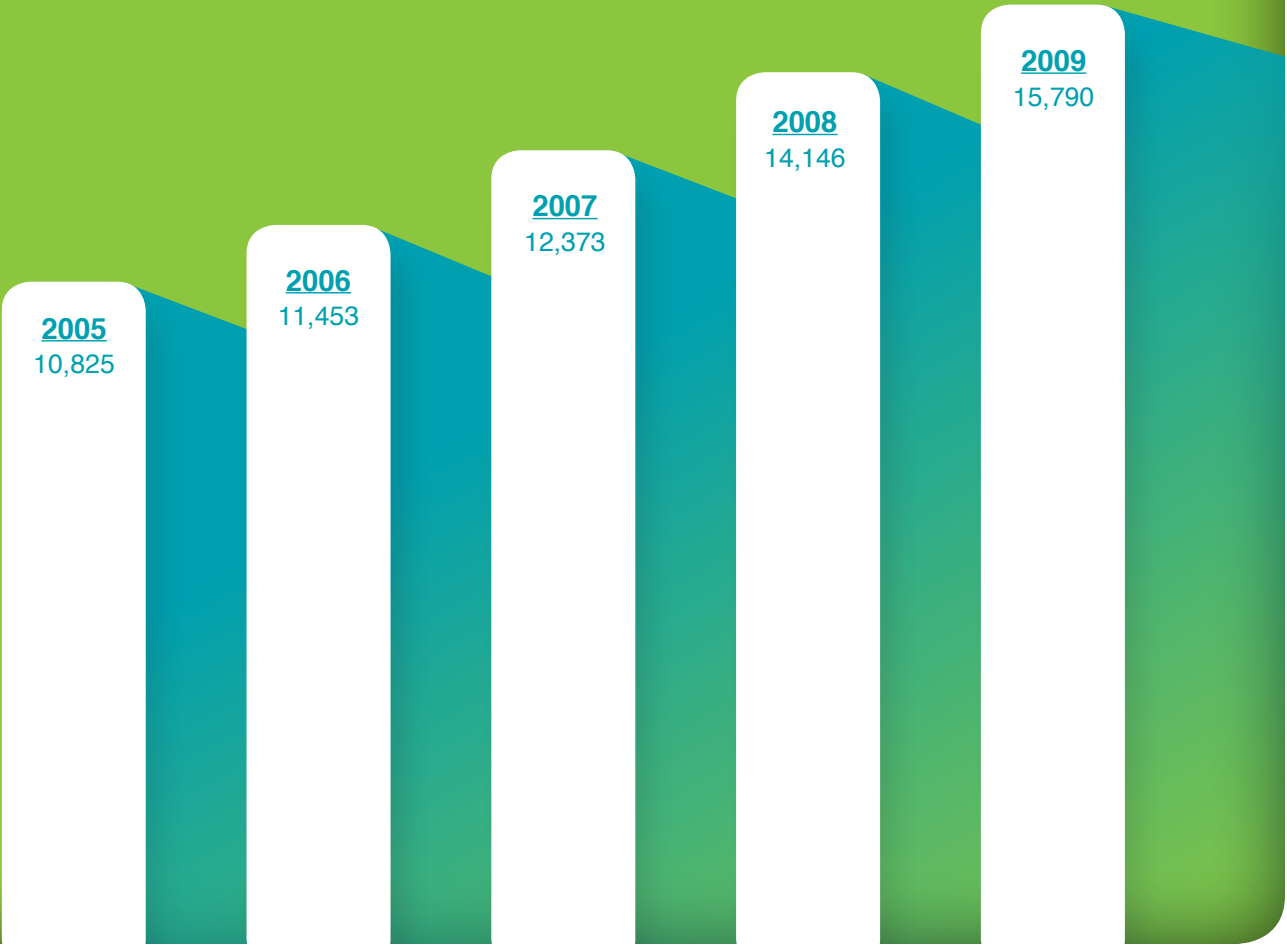
**2008**  
\$102,227,095

**2009**  
\$116,787,436



INNOVATIONS FEDERAL CREDIT UNION

Member Growth



INNOVATIONS FEDERAL CREDIT UNION

**Total Assets**

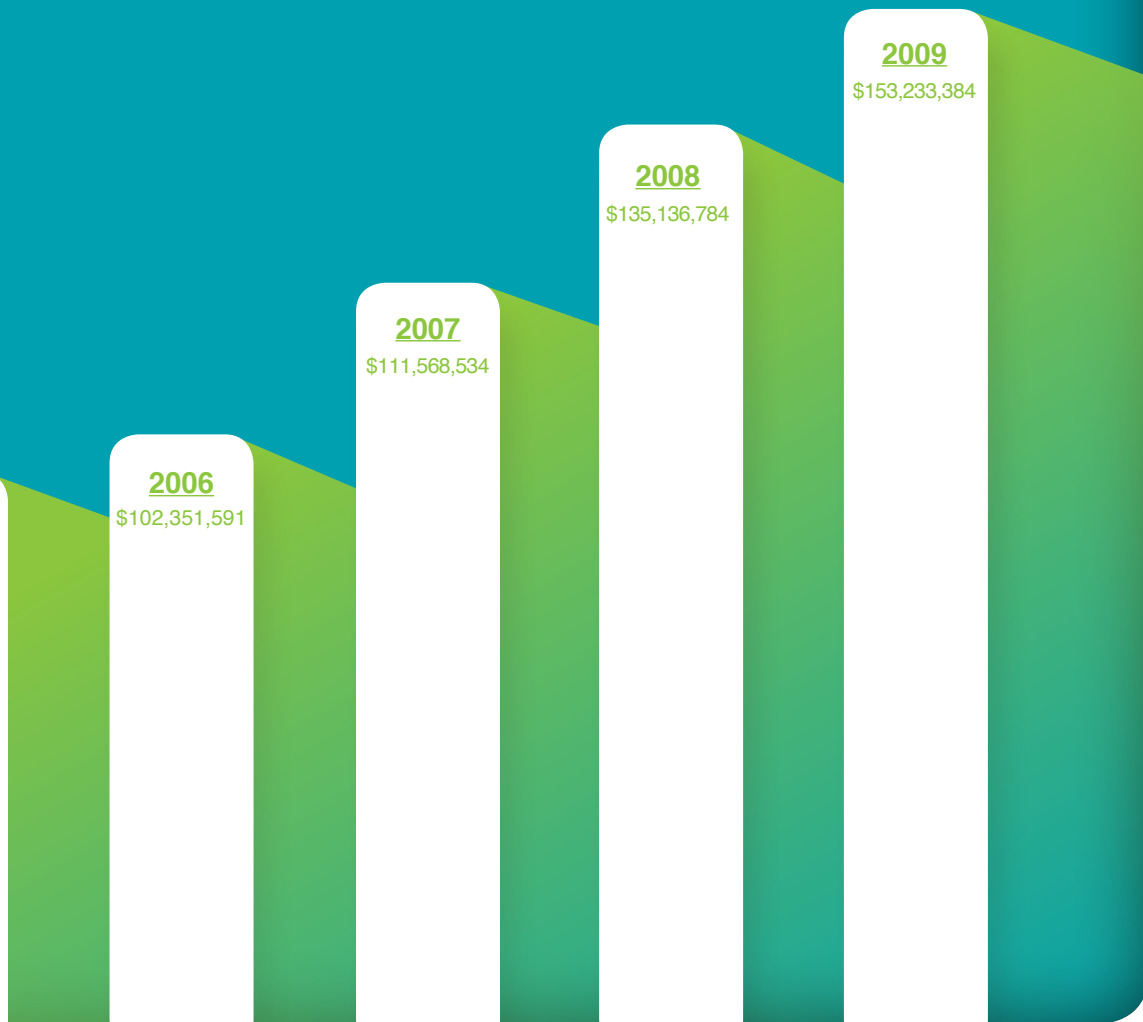
**2005**  
\$98,570,321

**2006**  
\$102,351,591

**2007**  
\$111,568,534

**2008**  
\$135,136,784

**2009**  
\$153,233,384





## Management Team

<b>David Southall</b>	President Chief Executive Officer
<b>Scott Gladden</b>	Senior Vice President Chief Operations Officer
<b>Lesley L. Miller</b>	Senior Vice President Chief Financial Officer
<b>Karen M. Hurst</b>	Senior Vice President Chief Marketing Officer
<b>Linda Kelley</b>	Vice President Human Resources
<b>Angie McCauley</b>	Marketing Director
<b>Sue Von Thun</b>	IT/Electronic Services Director
<b>Angie Burnett</b>	Director of Projects
<b>Jacquelyne Acello</b>	Manager – Thomas Drive
<b>Tricia Cottle</b>	Manager – Callaway
<b>Maribett Fernandez</b>	Manager – Jenks Avenue
<b>Kelly Littlefield</b>	Manager – 23rd Street
<b>Shannon Williams</b>	Manager – Lynn Haven
<b>Mark Harwell</b>	Mortgage Manager
<b>Dan Chaplik</b>	Collections Manager

## How to Contact Us

<b>Credit Union/Local</b>	233.4400
<b>Audio Response/Local</b>	233.4414
<b>Credit Union/Out of Area</b>	800.887.2634
<b>Audio Response/Out of Area</b>	800.887.2634
<b>LoanCONNECT 24/7 Call Center</b>	877.233.8564



innovationsfcu.org • sparkingchange.com



We Do Business In Accordance With  
The Federal Fair Housing Law and The  
Equal Credit Opportunity Act

EQUAL OPPORTUNITY LENDER

## Office Hours and Locations

**910 Thomas Drive** Panama City Beach  
• HOURS: 9 A.M. – 5 P.M. • DRIVE-UP: 8 A.M. – 5 P.M.

**700 West 23rd Street** Panama City  
• HOURS: 9 A.M. – 5 P.M. • DRIVE-UP: 8 A.M. – 5 P.M.

**864 N. Tyndall Parkway** Callaway  
• HOURS: 9 A.M. – 5 P.M.

**625 Jenks Avenue** Panama City  
• HOURS: 8 A.M. – 5 P.M.

**2250 South Highway 77** Lynn Haven  
• HOURS: 9 A.M. – 5 P.M.

## CU24/CU Here No-Surcharge ATM Locations

### Panama City

- 625 Jenks Avenue – Innovations CU
- 700 West 23rd Street – Innovations CU
- 601 Highway 231 – Bay Credit Union
- 135 South Tyndall Parkway – Bay Credit Union
- 2718 Highway 77 – Panhandle Educators FCU
- 650 West 23rd Street – Publix

### Lynn Haven

- 2310 South Highway 77 – Publix
- 2250 South Highway 77 – Innovations CU



### Southport

- 8008 Highway 77 - Panhandle Educators FCU

### Panama City Beach

- 910 Thomas Drive – Innovations CU
- 301 Beckrich Road – Panhandle Educators FCU
- 11220 Middle Beach Road – Publix
- 22023 Panama City Beach Parkway – Innovations CU
- 23026 Panama City Beach Parkway – Publix

### Callaway

- 864 North Tyndall Parkway – Innovations CU

### Port St. Joe

- 530 Cecil G. Costin Sr. Boulevard – Emerald Coast FCU

### Wewahitchka

- 101 East River Road – Emerald Coast FCU

**I will**

*treat you with respect.*

*take ownership for my actions.*

*provide you with a "WOW" experience.*

*provide you with accurate information.*

*complete your request in a timely manner.*

*express my appreciation for your business.*

*maintain the highest standards of professionalism.*

*provide exceptional service to both  
internal and external members.*

*identify your financial needs and offer a solution  
that will improve your financial life.*

*respond to all telephone calls by the close  
of business on the day the call was received.*

To always provide service that

**EXCEEDS**  
**EXPECTATIONS**

our members'

through each stage of their life.

**innovations**  
FEDERAL CREDIT UNION

Spark Change



Spark Change

[innovationsfcu.org](http://innovationsfcu.org)