

**Thinking forward.**

**ANNUAL REPORT**

**2011**





**Our continued mission**



To always provide service that

**EXCEEDS** our members'  
**EXPECTATIONS** through each stage of their life.



## Report of the Chairman

It is no secret that 2011 was another year of economic uncertainty, nationally as well as locally. Our focus at Innovations FCU has remained to provide our members with the very best member service along with competitive rates and as few fees as possible. During challenging times like these, it is important to keep net worth strong. I am proud to say that the management and staff of your credit union have continued to weather the financial storms very well. We were able to increase our net worth ratio this year without compromising our service to the membership.

On the national level, we remain vigilant to conform to the regulatory changes imposed by the Frank Dodd financial legislation, as well as the health care laws that were enacted by Congress. The assessment imposed by NCUA saw a slight decrease this year, much to our delight.

As I have mentioned in the past, our goal at Innovations FCU has never been to become the biggest financial institution around, but the very best at serving our members' financial needs. Our dialog banking continues to provide a better platform on which to communicate with our members.

Innovations' online banking and free bill pay service has also become an important tool in many of our members' lives. In addition, our convenient branch locations have increased the number of members they are serving. We are staying on course with our objective of controlled and steady growth of your credit union.

On behalf of your Board of Directors, I would like to thank our members for your trust and assure you of our diligence and commitment to your service, and the continued success of your credit union. We would also like to recognize the management and staff of Innovations FCU for their hard work and dedication that has resulted in the success we continue to enjoy.

Sincerely,



**James Kott**  
Chairman  
Board of Directors



## Report of the President and Chief Executive Officer

I am pleased to report that your credit union has successfully navigated another year of economic and regulatory challenges. In 2011 we again concentrated on controlling expenses and growth while increasing our net worth—all without compromising our service to our members.

We remain committed to our promise to “provide member service that exceeds expectations throughout each stage of our members’ lives.” In addition, our overall mission is to maintain the financial stability, safety and soundness of your credit union.

The local economic environment has begun to rebound from the devastating oil spill we experienced in 2010, but as the depressed national economy trickles down to the local level, we continue to try to effectively sustain a strong balance sheet and income statement. Your credit union ended the year with an increased net worth ratio of 8.65% and a return on assets of 0.90% compared to our peer credit unions at 0.48%. Our yield on average assets was 6.18% compared to our peer

credit unions at 4.18%. We have also continued to see growth in membership at our branch locations as well as in the usage of our online banking and free bill pay services.

Innovations continues to retain the best and the brightest team members. It is due to their hard work and dedication that your credit union has consistently prevailed and succeeded in these tough economic times. As we usher in 2012, I am certain we will remain unwavering in our commitment to provide you with the highest level of member service along with the ongoing focus on strong financial performance. We look forward to serving you well into the future!

Sincerely,



**David A. Southall**  
President/CEO



## Report of the Treasurer

2011 was a year in which the economy did not improve as much as everyone had hoped. However, your credit union continues to diligently work to maintain a strong balance sheet and income statement. I am pleased to report we have done so again this year. We have continued to grow our membership, maintain a strong return on assets and improve our net worth position.

As of December 31, 2011, we had 17,089 members, total assets of \$144,302,090 and a net worth ratio of 8.65%. This includes the 2011 NCUA assessment of 0.25 % of the insured member deposits resulting in an expense of \$330,000. As you will recall, the NCUA began this special assessment in 2008 in an effort to strengthen their reserves as well as to provide for the increased member deposit insurance of \$250,000. This assessment will continue for several years to come.


Due to the depressed economy and resulting unemployment, loan delinquencies remain a challenge for all financial institutions. Your credit union has remained committed to trying to keep control of this expense. We ended the year with a delinquency ratio of 0.96%, which is well below our peers

at 1.45%. We constantly try to live the credit union motto of "people helping people" without compromising the strength of the credit union.

As we move into 2012, we continue to be mindful of the challenges the economy presents. We will continue to stay the course of controlling our growth as well as our expenses to successfully weather the challenging economic environment. Once again, I am confident in the experience and talent of the management team of Innovations to manage and lead your credit union through these uncertain times.

On behalf of myself and the entire Board of Directors, I would like to take this opportunity to thank you for allowing our credit union to serve you.

Sincerely,



**Rob Fernandez**  
Treasurer  
Board of Directors



# Innovations Federal Credit Union — Statement of Financial Condition

AS OF DECEMBER 31

<u>Description</u>	<u>2011</u>	<u>2010</u>	<u>CHANGE</u>
<b>ASSETS:</b>			
CASH AND CASH EQUIVALENTS	\$ 1,549,672	\$ 1,796,187	\$ (246,515)
INVESTMENTS:			
AVAILABLE-FOR-SALE	2,505,865	1,001,525	1,504,340
OTHER	25,906,029	20,254,789	5,651,240
LOANS RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSSES	99,184,240	114,750,836	(15,566,596)
ACCRUED INTEREST RECEIVABLE	543,473	619,959	(76,486)
PROPERTY AND EQUIPMENT, NET	9,120,576	9,509,951	(389,375)
NCUSIF DEPOSIT	1,327,261	1,364,681	(37,420)
REPOSSESSED ASSETS	1,863,061	1,571,159	291,902
OTHER ASSETS	2,301,913	1,710,618	591,295
<b>TOTAL ASSETS</b>	<b>\$ 144,302,090</b>	<b>\$ 152,579,705</b>	<b>\$ (8,277,615)</b>
<hr/>			
<b>LIABILITIES:</b>			
MEMBERS' SHARE AND SAVINGS ACCOUNTS	\$ 129,632,873	\$ 139,882,238	\$ (10,249,365)
ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES	2,192,709	1,561,752	630,957
<b>TOTAL LIABILITIES</b>	<b>\$ 131,825,582</b>	<b>\$ 141,443,990</b>	<b>\$ (9,618,408)</b>
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<b>MEMBERS' EQUITY:</b>			
REGULAR RESERVE	\$ 2,135,057	\$ 2,135,057	\$ 0
UNDIVIDED EARNINGS	8,999,133	9,997,475	(998,342)
UNREALIZED GAIN ON INVESTMENTS	6,236	1,525	4,711
NET INCOME (LOSS)	1,336,082	(998,342)	2,334,424
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$ 12,476,508</b>	<b>\$ 11,135,715</b>	<b>\$ 1,340,793</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 144,302,090</b>	<b>\$ 152,579,705</b>	<b>\$ (8,277,615)</b>

# Innovations Federal Credit Union — Statement of Income

AS OF DECEMBER 31

ANGE

## INCOME:

INTEREST INCOME ON LOANS	\$ 8,895,668	\$ 9,645,558	\$ ( 749,890)
INTEREST INCOME ON INVESTMENTS	280,123	349,045	( 68,922)
<b>TOTAL INTEREST INCOME</b>	<b>\$ 9,175,791</b>	<b>\$ 9,994,603</b>	<b>\$ (818,812)</b>

INTEREST EXPENSE	784,271	1,639,855	(855,584)
<b>NET INTEREST INCOME</b>	<b>\$ 8,391,520</b>	<b>\$ 8,354,748</b>	<b>\$ 36,772</b>

PROVISION FOR LOAN LOSS	2,107,000	3,570,000	(1,463,000)
<b>INTEREST INCOME AFTER PROVISION</b>	<b>\$ 6,284,520</b>	<b>\$ 4,784,748</b>	<b>\$ 1,499,772</b>

INCOME FROM FEES & CHARGES	\$ 2,839,987	\$ 2,525,763	\$ 314,224
LOSS ON ASSETS	(440,142)	(309,637)	(130,505)
<b>INCOME BEFORE OPERATING EXPENSES</b>	<b>\$ 8,684,365</b>	<b>\$ 7,000,874</b>	<b>\$ 1,683,491</b>

## EXPENSES:

SALARIES & EMPLOYEE BENEFITS	\$ 3,249,335	\$ 3,506,706	\$ ( 257,371)
VOLUNTEER & EMPLOYEE RELATIONS	61,006	87,593	( 26,587)
OFFICE OCCUPANCY	433,140	432,380	760
OFFICE OPERATIONS	1,185,321	1,216,898	( 31,577)
MARKETING & MEMBER RELATIONS	453,000	551,654	(98,654)
LOAN SERVICING	805,479	1,072,465	(266,986)
PROFESSIONAL & OUTSIDE SERVICES	625,236	566,230	59,006
MEMBERS' INSURANCE	366,544	382,872	(16,328)
OTHER OPERATING EXPENSES	169,222	182,418	(13,196)
<b>TOTAL EXPENSES</b>	<b>\$ 7,348,283</b>	<b>\$ 7,999,216</b>	<b>\$ (650,933)</b>

<b>NET INCOME</b>	<b>\$ 1,336,082</b>	<b>\$ (998,342)</b>	<b>\$ 2,334,424</b>
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## Innovations Federal Credit Union — Board of Directors



**Greg Gruber**  
*Vice Chairman*



**James Kott**  
*Chairman*



**Rob Fernandez**  
*Treasurer*



**Dana Dye**  
*Secretary*



**Kenneth J. Baumann**  
*Director*



**Craig Ellis**  
*Director*



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

## Report of the Supervisory Committee

It is the primary responsibility of the Supervisory Committee to assure that your credit union is soundly managed and that member assets are safeguarded. In general, the committee is constituted to act as an independent body to monitor and evaluate the quality of the credit union's finances and operations. Specific methods and involvement will vary among credit unions, but overall responsibilities are consistent for all credit unions.

Your credit union Supervisory Committee is comprised of three (3) volunteers selected by the committee and approved by the Board of Directors. In this role, the committee reviews the activities of Innovations Federal Credit Union on behalf of the membership, ensuring that management practices, policies, procedures and financial activities are conducted in accordance with National Credit Union Administration (NCUA) rules and regulations, and generally accepted accounting principles of the United States of America (GAAP).

To accomplish these objectives, the committee engages and works closely with two independent certified public accounting firms. The firm of Nearman, Maynard and Vallez, CPAs, PA conducted the annual independent audit as of June 30, 2011. Their audit and subsequent report gave an indepth analysis of the financial condition of your credit union. After making recommendations for improvement, their report concluded with an opinion that Innovations Federal Credit Union was being operated in accordance with GAAP.

Also, the committee secures and works closely with the CPA firm of Sanders, Holloway and Ryan of Tallahassee for a more detailed audit of the internal operations and financial controls maintained by the management and staff of Innovations FCU.

Their audits are conducted on a quarterly basis with reports of the results submitted to the supervisory committee for follow up to correction and/or improvement of operational activities.

In addition, the supervisory committee continues to work with the NCUA to ensure that Innovations Federal Credit Union is in compliance with NCUA rules and regulations. Their comprehensive examination was conducted as of June 30, 2011, with some recommendations for improvement and compliance. The management and Board of Directors of your credit union are working diligently to adhere to these recommendations while maintaining a positive and healthy financial institution.

Therefore, upon examination of all reports, documents and financial statements presented to the Supervisory Committee, it is our opinion that as of December 31, 2011, Innovations Federal Credit Union continues to operate within accepted accounting and regulatory guidelines.

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

Sincerely,

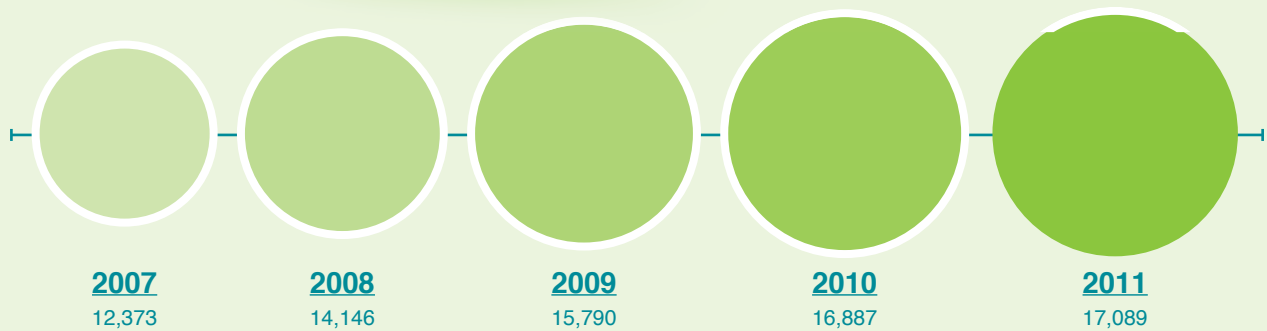


**Kenneth White**  
Chairman  
Supervisory Committee

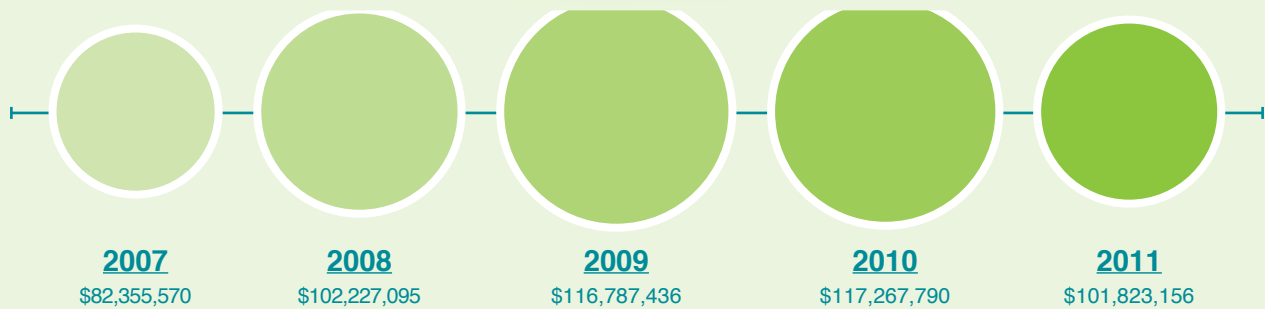


**Supervisory Committee Members**  
Melissa Howell      Bill Jones

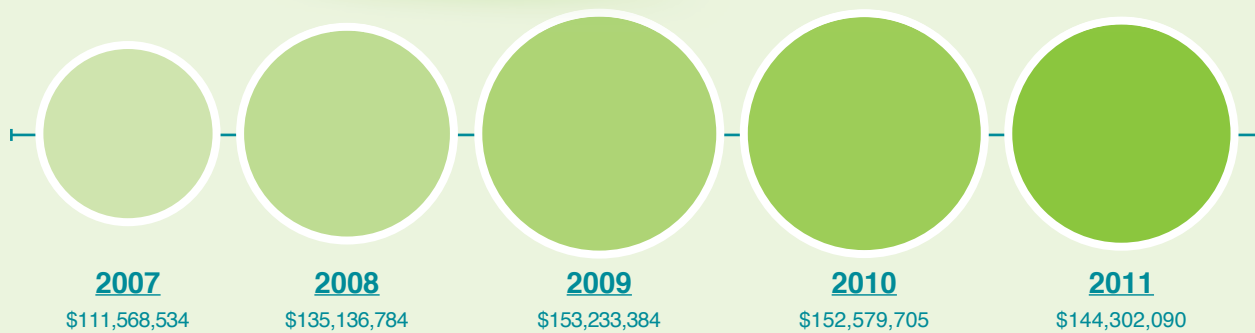
## Innovations Federal Credit Union — Member Growth



## Innovations Federal Credit Union — Gross Loans



## Innovations Federal Credit Union — Total Assets



## Office Hours and Locations

- HOURS: 9 A.M. – 5 P.M. • DRIVE-UP: 8 A.M. – 5 P.M.

### 700 West 23rd Street

- HOURS: 9 A.M. – 5 P.M. • DRIVE-UP: 8 A.M. – 5 P.M.

### 625 Jenks Avenue

- HOURS: 8 A.M. – 5 P.M.

### 2250 South Highway 77

- HOURS: 9 A.M. – 5 P.M. • DRIVE-UP: 8 A.M. – 5 P.M.

### 864 North Tyndall Parkway

- HOURS: 8 A.M. – 5 P.M.

Panama City

Panama City

Lynn Haven

Callaway

## CU24/CU Here No-Surcharge ATM Locations

- 700 West 23rd Street—Innovations FCU
- 625 Jenks Avenue—Innovations FCU
- 601 North Highway 231—Bay CU
- 650 West 23rd Street—Publix\*
- 100 North Everett Avenue—Bay CU
- 8 Harrison Avenue—Marina Civic Center\*



### Lynn Haven

- 2250 South Highway 77—Innovations FCU
- 2718 MLK Jr. Boulevard—Panhandle Educators FCU
- 2310 South Highway 77—Publix\*

### Southport

- 8008 Highway 77—Panhandle Educators FCU

### Panama City Beach

- 910 Thomas Drive—Innovations FCU
- 22023 Back Beach Road—Innovations FCU
- 301 Richard Jackson Boulevard—Panhandle Educators FCU
- 23026 Panama City Beach Parkway—Publix\*
- 11240 Panama City Beach Parkway—Publix\*
- 2419 Thomas Drive—Publix\*

### Callaway

- 864 North Tyndall Parkway—Innovations FCU
- 135 South Tyndall Parkway—Bay CU

### FSU Panama City Campus

- 4750 Collegiate Drive—Holley Academic Center

\*All starred ATMs are cash dispensers only.

Federally insured by NCUA



WE DO BUSINESS IN ACCORDANCE WITH  
THE FEDERAL FAIR HOUSING LAW AND THE  
EQUAL CREDIT OPPORTUNITY ACT

EQUAL OPPORTUNITY LENDER

## 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>Ruthie Parker</b>	Marketing Director
<b>Angie Burnett</b>	Director of Projects
<b>Jacquelyn 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>Dan Chaplik</b>	Collections Manager
<b>Mark Harwell</b>	Mortgage 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



Spark Change

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



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