

INNOVATIONS FEDERAL CREDIT UNION
STATEMENT OF INCOME

AS OF DECEMBER 31

Description	2015	2016	CHANGE
INCOME:			
INTEREST INCOME ON LOANS	\$ 7,577,135	\$ 7,551,058	\$ (26,077)
INTEREST INCOME ON INVESTMENTS	308,489	383,092	74,603
TOTAL INTEREST INCOME	\$ 7,885,624	\$ 7,934,150	\$ 48,526
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INTEREST EXPENSE	471,588	504,824	33,236
NET INTEREST INCOME	\$ 7,414,036	\$ 7,429,326	\$ 15,290
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PROVISION FOR LOAN LOSS	1,508,000	1,104,000	(404,000)
INTEREST INCOME AFTER PROVISION	\$ 5,906,036	\$ 6,325,326	\$ 419,290
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NON-INTEREST INCOME	\$ 4,098,693	\$ 3,966,609	\$ (132,084)
LOSS ON ASSETS	(442,687)	332,894	775,581
INCOME BEFORE OPERATING EXPENSES	\$ 9,562,042	\$ 10,624,830	\$ 1,062,788
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EXPENSES:			
SALARIES & EMPLOYEE BENEFITS	\$ 4,793,338	\$ 5,016,259	\$ 222,921
VOLUNTEER & EMPLOYEE RELATIONS	128,389	58,434	(69,955)
OFFICE OCCUPANCY	525,318	490,933	(34,385)
OFFICE OPERATIONS	1,761,637	1,703,323	(58,314)
MARKETING & MEMBER RELATIONS	559,116	429,625	(129,491)
LOAN SERVICING	942,360	836,462	(105,898)
PROFESSIONAL & OUTSIDE SERVICES	1,225,848	1,132,992	(92,856)
TOTAL EXPENSES	\$ 9,936,006	\$ 9,668,028	\$ (267,978)
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NET INCOME	\$ (373,964)	\$ 956,802	\$ 1,330,766

INNOVATIONS FEDERAL CREDIT UNION
STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31

Description	2015	2016	CHANGE
ASSETS:			
CASH ON HAND	\$ 3,104,981	\$ 2,663,417	\$ (441,564)
INVESTMENTS:			
AVAILABLE-FOR-SALE	5,169,887	4,121,374	(1,048,513)
OTHER	28,459,816	34,851,382	6,391,566
LOANS RECEIVABLE	118,489,651	125,458,626	6,968,975
LESS ALLOWANCE FOR LOAN LOSSES	(1,356,940)	(1,398,976)	(42,036)
ACCRUED INTEREST RECEIVABLE:			
LOANS	489,381	500,680	11,299
INVESTMENTS	33,248	41,877	8,629
PROPERTY AND EQUIPMENT, NET	8,354,201	8,097,780	(256,421)
NCUSIF DEPOSIT	1,447,272	1,575,242	127,970
REPOSSESSED ASSETS	886,938	413,898	(473,040)
OTHER ASSETS	4,556,678	5,422,951	866,273
TOTAL ASSETS	\$ 169,635,114	\$ 181,748,252	\$ 12,113,138
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LIABILITIES:			
MEMBERS' SHARE AND			
SAVINGS ACCOUNTS	\$ 152,272,142	\$ 162,895,059	\$ 10,622,917
ACCOUNTS PAYABLE AND OTHER			
ACCRUED LIABILITIES	2,080,632	2,640,952	560,320
TOTAL LIABILITIES	\$ 154,352,774	\$ 165,536,011	\$ 11,183,237
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MEMBERS' EQUITY:			
REGULAR RESERVE	\$ 2,135,057	\$ 2,135,057	\$ 0
UNDIVIDED EARNINGS	13,482,393	13,108,430	(373,963)
UNREALIZED GAIN ON INVESTMENTS	38,853	11,953	(26,900)
NET INCOME	(373,964)	956,802	1,330,766
TOTAL MEMBERS' EQUITY	\$ 15,282,340	\$ 16,212,241	\$ 929,901
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 169,635,114	\$ 181,748,252	\$ 12,113,138



2016 | ANNUAL REPORT

innovations

Chairman and CEO Report

In 2016, Innovations continued the strategy of expense reduction and income growth while at the same time maintaining member service as the number one priority by providing convenience, and products and services at competitive rates with minimal fees. The local economy continued the positive trends in employment, tourism, and real estate sales. We successfully achieved loan growth and continued to reduce delinquencies and charge-offs.

In January, we converted to a new online and mobile banking platform which features a more enhanced and intuitive system to provide our members with even more technological convenience, including remote deposit capture and a more robust mobile banking product. This conversion also enabled us to capture more members' email addresses giving Innovations the opportunity to further market and communicate with them. Additionally, it provided Innovations with more cost efficiency on the back end. It was a win-win for everyone.

We also brought our rewards checking product in-house. This provided us with the opportunity to significantly reduce expenses involved with this product while also allowing us more flexibility in providing better member service with the new Innovations' branded Ignite program. Once again, we were able to provide better member service, along with cost efficiency and the ability to simplify the technological requirements on the back end. Another win-win.

Internally, we converted our employee performance evaluation system to a more economical and user-friendly web-based platform. This new platform provides our managers with an evaluation instrument that is more efficient, using the automated document escalation and e-signature options.

In 2016, significant dollars were added to net worth but not to the net worth ratio. The net worth ratio remained flat due to market share growth, which was significant because we did not buy that market share with deposit rates. Instead, our branding and reputation brought it in the door, along with some competitors' decisions to pull back from the Bay County market. Interestingly enough, that is the niche credit unions used to enter the financial services marketplace in the 1800's. The trade-off of a flat net worth ratio was worth the market share growth; these new members will now contribute to our future net worth growth.

Loan growth also remains a major focus at Innovations. We promote fundamental loan programs without resorting to elaborate programs. Our strategy is to let members know they can come to us for their lending needs and we will try our best to help them. We do continue to manage these different fundamental loan programs—such as the Member Business, Indirect, Mortgage, and consumer lending programs—designed to meet the needs of our membership in Bay County. We continue to expand our use of data analytics for more in-depth measurement and analysis of our lending programs.

In 2017, Innovations plans to stay on this consistent successful journey. We will continue to manage loan and asset growth along with expenses. A healthy income statement and balance sheet will remain a priority along with exceptional member service. One area of increased focus for 2017 is to provide our Team Members with increased member service training along with providing them with more tools to support their efforts. This will improve our members' overall experience, which in turn will improve our bottom line.

Our journey continues as we have historically successfully navigated Innovations through both good times and hard times. A unique strength our executive management team brings to the table is the fact that, together, they have navigated both successfully.

Our outlook for 2017 and beyond is very positive for our credit union. However, if a negative environmental factor is around the corner we are confident we will adjust and successfully manage Innovations back into positive territory. We remain resolute about positioning ourselves to continue to successfully handle the dynamic financial environment as it evolves.



David A. Southall
David A. Southall
President/CEO



James Kott
James Kott
Chairman
Board of Directors

BOARD OF DIRECTORS

Rob Fernandez
Vice Chairman

Craig Ellis
Director

Trevor Walls
Treasurer

Nancy Luther
Director

Kenneth White
Secretary

Kristopher McLane
Director

SUPERVISORY COMMITTEE

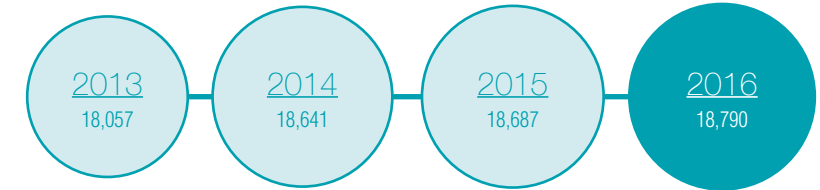
Bill Jones
Chairman

Jay Buddi
Member

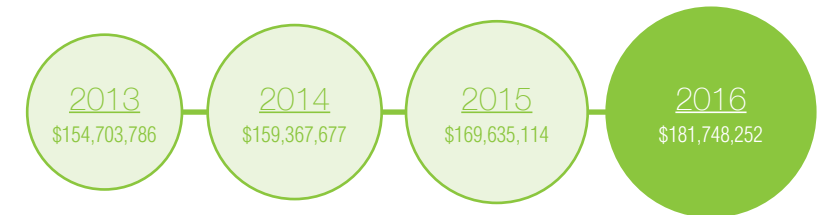
Blaine Cook
Member

Don Gedeon
Member

MEMBER GROWTH



TOTAL ASSETS



OFFICE LOCATIONS AND HOURS

Panama City Beach Branch

910 Thomas Drive
Panama City Beach, Florida 32408
Hours: (Monday - Friday)
Lobby: Open 9 a.m. – 5 p.m.
Drive-up: Open 8 a.m. – 5 p.m.

Panama City Branch

700 West 23rd Street
Panama City, Florida 32405
Hours: (Monday - Friday)
Lobby: Open 9 a.m. – 5 p.m.
Drive-up: Open 8 a.m. – 5 p.m.

Callaway Branch

864 North Tyndall Parkway
Panama City, Florida 32404
Hours: (Monday - Friday)
Lobby: Open 8 a.m. – 5 p.m.

Downtown Panama City Branch

1038 Harrison Avenue
Panama City, Florida 32401
Hours: (Monday - Friday)
Lobby: Open 9 a.m. – 5 p.m.
Drive-up: Open 8 a.m. – 5 p.m.

Lynn Haven Branch

2250 South Highway 77
Lynn Haven, Florida 32444
Hours: (Monday - Friday)
Lobby: Open 9 a.m. – 5 p.m.
Drive-up: Open 8 a.m. – 5 p.m.

Back Beach Branch

17900 Panama City Beach Parkway
Panama City Beach, Florida 32413
Hours: (Monday - Friday)
Lobby: Open 8 a.m. – 5 p.m.

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