

STATEMENT OF FINANCIAL CONDITION

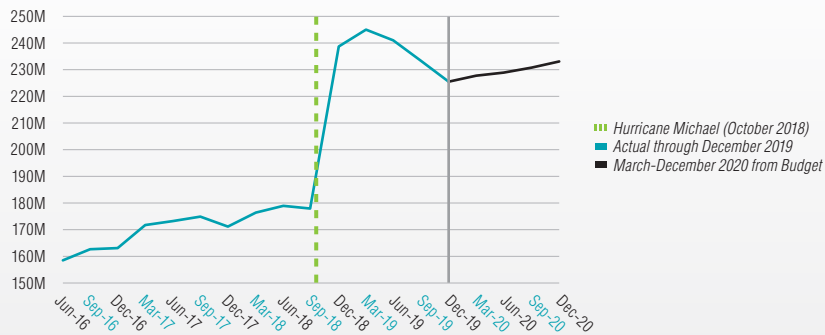
Description	2018	2019
ASSETS:		
INVESTMENTS:		
AVAILABLE-FOR-SALE	\$ 3,226,812	\$ 2,955,437
OTHER	81,716,001	52,660,931
LOANS RECEIVABLE	158,719,335	176,504,302
LESS ALLOWANCE FOR LOAN LOSSES	(1,343,361)	(864,835)
PROPERTY AND EQUIPMENT, NET	8,537,359	10,143,936
NCUSIF DEPOSIT	1,759,572	2,346,088
REPOSSESSED ASSETS	274,442	153,995
OTHER ASSETS	10,655,041	9,738,933
TOTAL ASSETS	\$ 263,545,201	\$ 253,638,787
LIABILITIES:		
MEMBERS' SHARE AND SAVINGS ACCOUNTS		
MEMBERS' SHARE AND SAVINGS ACCOUNTS	\$ 238,514,023	\$ 226,373,037
ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES		
ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES	6,296,201	3,848,771
TOTAL LIABILITIES	\$ 244,810,224	\$ 230,221,808
MEMBERS' EQUITY		
MEMBERS' EQUITY	\$ 16,742,519	\$ 18,812,792
NET INCOME	1,992,458	4,604,187
TOTAL MEMBERS' EQUITY	\$ 18,734,977	\$ 23,416,979
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 263,545,201	\$ 253,638,787

STATEMENT OF INCOME

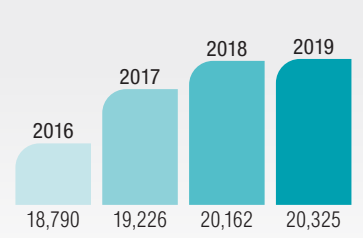
Description	2018	2019
INCOME:		
INTEREST INCOME ON LOANS	\$ 8,321,150	\$ 9,135,280
INTEREST INCOME ON INVESTMENTS	559,868	1,733,389
TOTAL INTEREST INCOME	\$ 8,881,018	\$ 10,868,669
INTEREST EXPENSE	639,299	760,417
NET INTEREST INCOME	\$ 8,241,719	\$ 10,108,252
PROVISION FOR LOAN LOSS	520,000	5,007
INTEREST INCOME AFTER PROVISION	\$ 7,721,719	\$ 10,103,245
NON-INTEREST INCOME	\$ 4,974,473	\$ 4,992,685
GAIN/(LOSS) ON ASSETS	203,455	675,388
INCOME BEFORE OPERATING EXPENSES	\$ 12,899,647	\$ 15,771,318
EXPENSES:		
SALARIES & EMPLOYEE BENEFITS	\$ 6,057,596	\$ 6,080,417
VOLUNTEER & EMPLOYEE RELATIONS	116,467	145,980
OFFICE OCCUPANCY	513,635	531,136
OFFICE OPERATIONS	1,838,950	1,885,691
MARKETING & MEMBER RELATIONS	416,227	550,884
LOAN SERVICING	712,609	551,960
PROFESSIONAL & OUTSIDE SERVICES	1,251,705	1,421,062
TOTAL EXPENSES	\$ 10,907,189	\$ 11,167,130
NET INCOME	\$ 1,992,458	\$ 4,604,188



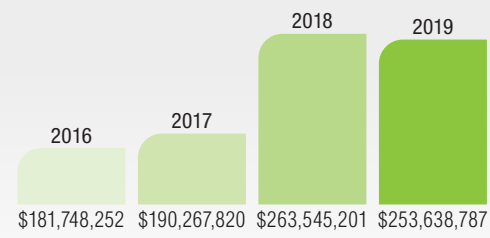
TOTAL SHARES



MEMBER GROWTH



TOTAL ASSETS



A Year of Recovery and Rebuilding

2019 began in true recovery mode, and Innovations has progressed throughout the year on this course, while at the same time achieving goals and objectives planned before the devastating Category 5 hurricane hit our area. There is no denying our success in both areas is due in large part to our experienced and dedicated Team Members. Innovations' strategic objective to remain the employer of choice, with talent recruitment and retention the goal, resulted in a priceless payoff this year.

A consequence of the devastating storm was the rapid and significant increase in Shares due to insurance proceeds being deposited to cover the enormous amount of destruction. Shares increased by one-third in the first 60 days, resulting in total annualized asset growth of 40% as of 12/31/18.

Essential management of those short-term funds was necessary to ensure adequate liquidity when members spend those funds and to capitalize on the income earning ability of them while they were available. Innovations Net Income was \$4.6M in 2019, which is \$3.1M over budget. Several unusual factors contributed to this, including \$1.4M of expenses below budget, \$840k in income above budget, and \$860k in insurance claims. The 2019 Net Income was significantly higher than a normal year and will not likely occur again for many years.

In 2020 Innovations will continue down the path of recovery with the re-opening of our Harrison Avenue branch and the celebrated move from the temporary trailer where we have been serving our members for the past year. We will also be breaking ground for a new 23rd Street branch and begin to study the feasibility of building a new Back Beach branch as part of our longer-range expansion plan.

A Year of Accolades and Achievements

Innovations Federal Credit Union was recognized as one of the top 50 Best Credit Unions to work for 2019 by *The Credit Union Journal*. This award was based upon several factors, including a lengthy survey completed by our employees. We are proud of this acknowledgement especially after the remarkable way Innovations was the first financial institution open to serve the devastated area after Hurricane Michael, helping our members and non-members alike, during the immediate aftermath of the disaster. This underscores our belief that valuing our Team Members with competitive salaries and benefits, as well as doing the right things for the right reasons, results in member service that exceeds our members' expectations—and in this case additionally provided a significant community service until other financial institutions could get operational and serve their members/customers after Hurricane Michael.

Late 2019, Innovations Federal Credit Union was recognized as a Seminole 100 recipient. Presented by the Florida State University, the Jim Moran Institute for Global Entrepreneurship in the College of Business, and EY, the Seminole 100 recognizes the 100 fastest-growing businesses owned or led by Florida State alumni. Innovations will be recognized at the Seminole 100 celebration in early 2020.

Strategic Initiatives

As one of our strategic objectives in 2019, we successfully transitioned our core processor from an in-house operation to a third-party remote operation. This had been planned and the disaster we went through confirmed the fact it was a necessary transition to make. There were many

risks involved with hosting our IT network and operational hardware in-house. Matters such as communications, natural disasters and hardware/software compatibility issues and local power outages were all factors for consideration. Improved business continuity, as well as an even more robust security system, were additional reasons for the transition.

Innovations continues to look for ways to save our members money and time by providing convenient access to their accounts. Our Mobile and Online Banking solutions are a perfect fit for quick access to all Innovations has to offer.

Micro-Enterprise Lending

In 2019 we implemented a micro-business lending program that was a component of the Community Development Financial Institution (CDFI) grant awarded to Innovations in late 2018. Response has been very positive. Our objective, as we implement most new programs, is to oversee gradual managed growth in this area. This will further complement our successfully growing business lending program detailed in the Business Lending Summary.

In October, Innovations held our first Community Development Economic Summit to determine the ongoing local needs following Hurricane Michael and to ascertain if there were any other areas Innovations could help the community with additional CDFI funding. It should be noted the meeting, to which most of the local area business and community leaders were invited, was very well attended.

To continue our community development work through the micro-enterprise lending program, Innovations was a recipient of a second grant in late 2019. This latest grant, along with the first one, will continue to allow us to provide financial assistance to start-up and newly formed small businesses.

For more information on our Business Lending and Micro-Business Lending programs, contact our Member Business Development Team.

We are Here to Serve our Members

Innovations is committed to the "people helping people" philosophy. Team Member training is a priority to ensure that our members are provided an experience that exceeds their expectations. We continue to invest in our people by providing excellent benefits, resources, and support that make Innovations the employer of choice here in Bay County.

Our Ignite Checking account continues to pay members. In 2019 Innovations paid over \$250,000.00 to Ignite users!

More Mortgage Options

After an extensive analysis in 2018, another strategic objective Innovations implemented in 2019 was the expansion of our mortgage lending program with expanded lending options and more competitive products. We will continue to closely monitor our Business and Micro-Business Lending programs, as well as our indirect auto lending program. An area we will also continue to promote and analyze is our consumer lending portfolio and the risk/return strategy to begin raising our net loan yield.

2020 and Forward

Exciting times are ahead for our credit union as we begin the new decade. Regulatory compliance is always a priority consideration in planning, and we will continue to focus on expense management, controlled growth and member service. We will continue our promise to always provide service that exceeds your expectations through each stage of your life. Innovations appreciates your trust and loyalty, as we know you have a choice when selecting a financial institution. And we thank you for choosing us!



David A. Southall

David A. Southall
President/CEO



Rob Fernandez

Rob Fernandez
Chairman/Board of Directors

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Director

Craig Ellis
Director

Trevor Walls
Director

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Chairman

Barbara Lewis
Secretary

Don Gedeon
Member

Patrick Hermes
Member

Josh Scribner
Member

OFFICE LOCATIONS AND HOURS

Thomas Drive

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.

Harrison Avenue - Temporary Branch

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

23rd Street

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.

Lynn Haven

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.

Callaway

123 North Tyndall Parkway
Panama City, Florida 32404
Hours: (Monday - Friday)
Lobby: Open 9 a.m. – 5 p.m.
Drive-up: Open 8 a.m. – 5 p.m.

Back Beach

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



Spark Change

233.4400 • innovationsfcu.org



Federally insured by NCUA Equal Opportunity Lender
We Do Business In Accordance With The Federal Fair Housing Law and The Equal Credit Opportunity Act