



2016

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ANNUAL  
REPORT

APL FEDERAL  
CREDIT UNION

## BOARD OF DIRECTORS

John Tochko, Chair  
Rosalyn Furukawa, Vice Chair  
Robert Miller, Treasurer  
Charlene Hustead, Recording Secretary  
Philip Albert, Director  
Sarah Cooke, Director  
Laura Davis, Director  
Peter Newman, Director  
Brian O'Connor, Director



**Robert Miller**

Treasurer

## SUPERVISORY COMMITTEE

Karen Brown, Chair  
Don Henderson  
Rachel Rakes



**Karen Brown**

Chair

## ASSOCIATE VOLUNTEERS

Tim McIntyre





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## A MESSAGE FROM OUR PRESIDENT & CHAIRMAN



**Jim Deegan**

President/CEO



**John Tochko**

Chair

APL Federal Credit Union's Board of Directors and senior management are pleased to announce the completion of another record-setting year for the Credit Union. We started off 2016 with the difficult task of trying to match the unprecedented success of 2015, when we set several new loan records while reaching multiple historic milestones. Despite the bar being set high, we exceeded expectations in 2016 by breaking several of the loan records we set in 2015 while continuing to maintain strong asset growth and profitability.

This past year our members opened \$74.5 million in new loans, including 1,303 auto loans worth \$30.6 million. These totals surpassed the 2015 records of 1,207 auto loans and \$70.4 million in member loans. Thanks to the record loan volume our total loans outstanding increased by more than \$15 million, eclipsing \$200 million by the end of August while finishing just below \$210 million at year-end. This marks the fourth straight year with at least \$10 million in loan growth.

In addition to these strong loan results, we increased our assets by almost \$20 million in 2016, finishing the year above \$426 million. We also generated \$1.8 million in net income, the sixth straight year exceeding \$1.5 million in income despite maintaining the lowest fee structure of any full-service financial institution in the Howard County area.

From a member service perspective we initiated or completed several big projects during 2016, including the EMV chip card conversion that started in late 2015. This project entailed the replacement of our entire magnetic-strip-only card portfolio – totaling almost 20,000 member debit and credit cards – with the more secure chip cards.

In the second half of the year we launched Visa® Purchase Alerts, allowing members to receive near real-time notifications by text, email or both for purchases made on their APL FCU card accounts. These free alerts are a great way for members to monitor their credit and debit card activity while quickly identifying suspicious or fraudulent transactions.

The combination of Visa Purchase Alerts and more secure EMV chip cards is already having a positive effect on the Credit Union's bottom line, as plastic card fraud losses dropped dramatically from 2015 to 2016. We finished 2016 with the lowest plastic fraud loss total of the past 14 years.

In late 2016 we initiated an upgrade of our existing electronic Bill Pay platform to CheckFree, the world's largest Bill Pay provider. This project, which is scheduled for completion in the spring of 2017, provides additional features at no cost, as we will continue to offer Bill Pay as a free service for our members.

As Howard County's Community Credit Union, we take great pride in supporting charitable and civic organizations in the area. Being a good corporate neighbor took on added meaning this past year, as many local businesses dealt with the devastating flooding in Ellicott City. To assist in the recovery efforts, we provided office space, computers and IT support for several months free of charge to one of our affected business partners while their location in Ellicott City was rebuilt.

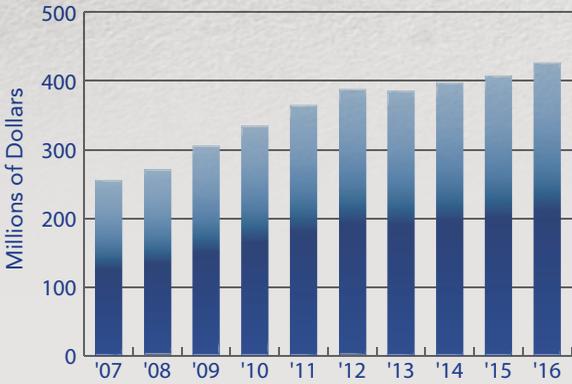
With another year of strong results now in the books, you can rest assured that APL FCU's staff and Board of Directors will work diligently to ensure continued success for the Credit Union in 2017 and beyond. We will be steadfast in our dual mission of continually improving the overall member experience while protecting the safety and stability of member assets.

We know you have numerous choices for your banking and lending needs, and we thank you for choosing APL Federal Credit Union. As always, we remain,

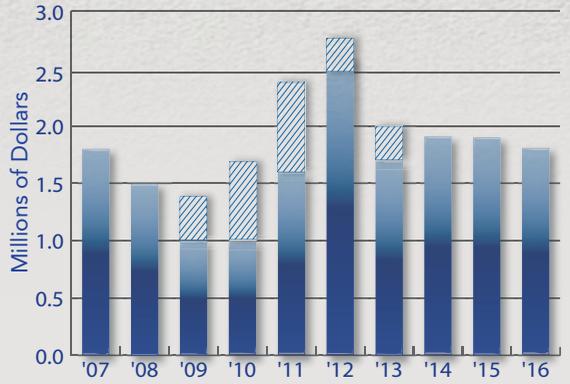
***"At Your Service, In Your Community."***

# 10-YEAR ANNUAL REPORT DATA

## ASSETS

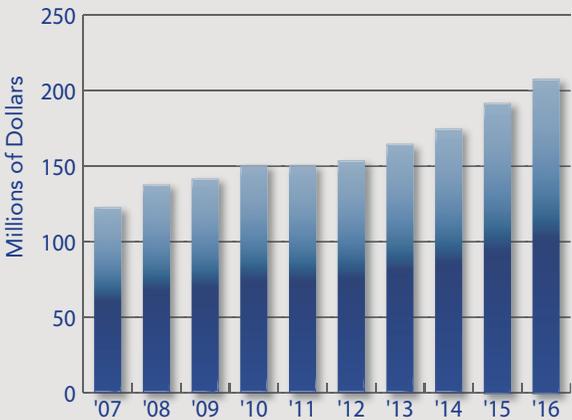


## NET INCOME

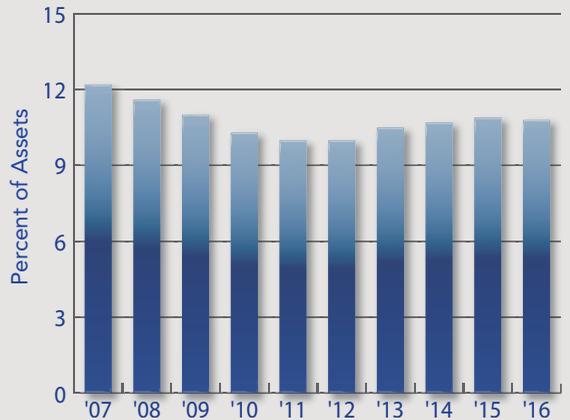


\*2009 thru 2013 income shown before and after NCUA Stabilization Expense

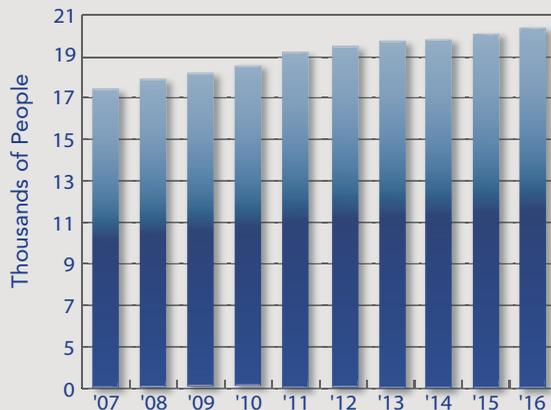
## TOTAL LOANS



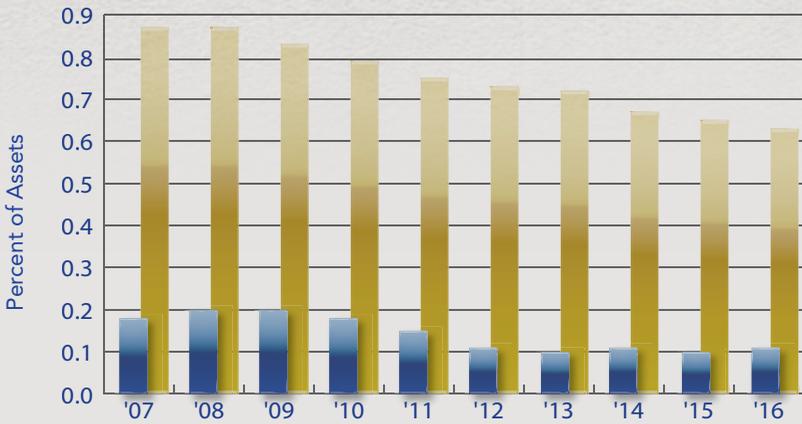
## NET WORTH



## NUMBER OF MEMBERS



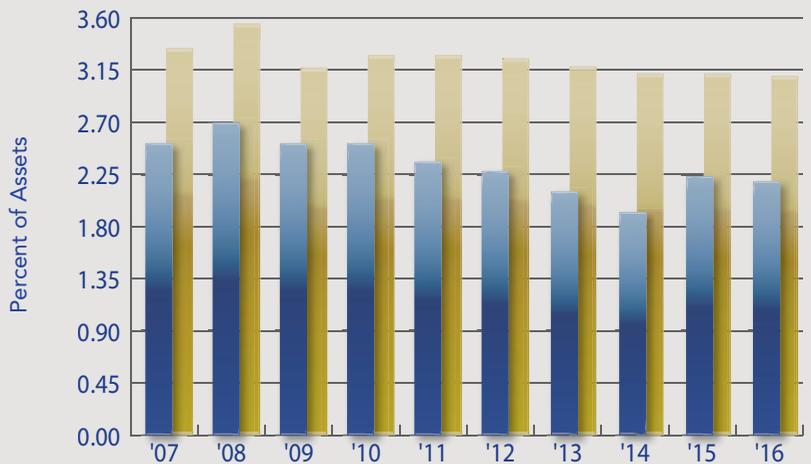
## MEMBER FEE INCOME TO AVERAGE ASSETS



This ratio is an effective way to compare the amount of fee income generated by credit unions, regardless of their size. APL FCU's fee income is about six times lower than the national credit union average and one of the lowest you will find anywhere.

## OPERATING EXPENSE TO AVERAGE ASSETS

This ratio compares APL FCU's operating efficiency to the national credit union average. In general, credit unions with lower operating expenses are being run more efficiently. APL FCU's low operating expenses allow the Credit Union to offer members lower loan rates and lower fees while still maintaining profitability.



■ APL Federal Credit Union

■ National Credit Union Average

## STATEMENTS OF FINANCIAL CONDITION

ASSETS	2016	2015
<b>Loans</b>		
Loans to Members - Less Allowance for Loan Losses, and Net Deferred Loan Income	\$208,705,136	\$192,984,766
Loan Notes Receivable	666,678	400,333
<b>Loans Net:</b>	<b>\$209,371,814</b>	<b>\$193,385,099</b>
<b>Other Assets</b>		
Accounts Receivable	\$10,441	\$9,483
Cash	1,711,353	1,723,312
Investments	199,739,303	196,383,326
Accrued Income Receivable	590,207	611,441
Prepaid Expenses	295,523	356,325
Buildings & Land	9,200,024	9,394,404
Furniture & Equipment	663,724	787,076
NCUSIF Deposit	3,508,923	3,361,481
Other Assets	1,791,438	1,757,721
<b>Total Assets:</b>	<b>\$426,882,750</b>	<b>\$407,769,668</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable	\$799,080	\$528,261
Accrued Expenses	3,491,232	3,195,697
Other Liabilities	4,526,568	3,124,357
<b>Total Liabilities:</b>	<b>\$8,816,880</b>	<b>\$6,848,315</b>
<b>Equity</b>		
Savings	164,570,344	147,058,297
Checking	63,195,694	59,706,858
Preferred Money Market	73,064,445	69,750,897
IRA Money Market	4,805,012	4,907,197
IRA Certificates	15,878,236	16,939,515
Certificates of Deposit	58,911,548	63,442,769
<b>Total Shares:</b>	<b>\$380,425,279</b>	<b>\$361,805,533</b>
<b>Reserves</b>		
Regular Reserve	\$2,614,802	\$2,614,802
Undivided Earnings	41,656,771	39,784,023
Net Allowance to Adjust Investments to Fair Value	(1,218,832)	643,181
Other Comprehensive Income	(7,194,544)	(5,798,934)
Net Income (Loss)	1,782,394	1,872,748
<b>Total Equity:</b>	<b>\$418,065,870</b>	<b>\$400,921,353</b>
<b>Total Liabilities &amp; Equity:</b>	<b>\$426,882,750</b>	<b>\$407,769,668</b>

## STATEMENTS OF INCOME

	2016	2015
<b>Operating Income</b>		
Interest on Loans	\$1,942,979	\$1,728,686
Interest on Real Estate Loans	4,722,579	4,633,976
<b>Net:</b>	<b>\$6,665,558</b>	<b>\$6,362,662</b>
Income From Investments	2,788,706	2,648,935
Fees and Charges	429,817	430,620
Other Operating Income	1,665,382	1,605,141
<b>Total Operating Income:</b>	<b>\$11,549,463</b>	<b>\$11,047,358</b>
<b>Operating Expenses</b>		
Compensation	\$4,032,221	\$3,967,513
Employee/Retiree Benefits	2,297,740	2,325,937
Education & Conference Expenses	54,718	59,000
Association Dues	19,608	19,787
Office Occupancy Expenses	383,008	381,582
Office Operations Expenses	1,216,449	1,106,898
Education & Promotional Expenses	174,673	177,713
Loan Servicing Expenses	318,999	411,960
Professional & Outside Services	466,050	448,855
Regulatory Fees	74,206	72,707
Annual Report & Meeting Expenses	4,800	2,785
Miscellaneous Operating Expenses	7,133	13,492
Share Draft Processing Expenses	55,093	54,214
<b>Total Operating Expenses:</b>	<b>\$9,104,698</b>	<b>\$9,042,443</b>
Provision for Loan Losses	(137,485)	(105,900)
Interest on Borrowed Money	-	-
<b>Non-Operating Gains (Losses)</b>		
Gain (Loss) on Investments	59,907	950,798
Gain (Loss) on Disposition of Assets	-	-
Other Non-Operating Income (Expenses)	(8,609)	(259)
<b>Total Non-Operating Gains (Losses):</b>	<b>\$51,298</b>	<b>\$950,539</b>
Income (Loss) Before Dividends	\$2,633,548	\$2,849,553
Dividends	\$(851,154)	\$(976,805)
<b>Net Income (Loss) Before NCUA Assessments:</b>	<b>\$1,782,394</b>	<b>\$1,872,748</b>
NCUA Insurance Premium	0	0
NCUA Stabilization Expense	0	0
<b>Net Income (Loss):</b>	<b>\$1,782,394</b>	<b>\$1,872,748</b>



## OUR MISSION

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**APL Federal Credit Union is dedicated to providing its members quality financial services with a competitive edge, while ensuring the safety and stability of financial assets.**

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