



A YEAR FOR
CHANGE



FROM THE PRESIDENT

Change is inevitable. How we deal with change is what sets us apart. Founders Federal Credit Union experienced a multitude of transitions in 2018 – a brand new Founders Online, several new locations, plus exciting new products.

As we close out 2018, we look to the future with even more exciting developments in our path. We see and understand the advancements our members expect to see – more online services and innovative products with more features than ever before to drive financial success. We embrace the challenge of adapting to change, and steadfastly move forward, with our members' best interests in mind.

Change brings us many things. It creates a combined effort to provide the best financial products and services to our members. It gives us the opportunity to continue working for you – our members – to ensure we provide you the tools you need to help you plan for your future.



Bruce A. Brumfield
PRESIDENT AND CHIEF EXECUTIVE OFFICER

NET WORTH

\$ IN MILLIONS



NET LOANS

\$ IN MILLIONS



NET INCOME

\$ IN MILLIONS



TOTAL ASSETS

\$ IN MILLIONS



MEMBERSHIP




2018 UPDATES

Founders Federal Credit Union finished 2018 with exceptional growth in all areas. Our loan growth of over \$225 million was the strongest in our history bringing us to nearly \$2 billion in outstanding loans. Our deposits grew to \$1.95 billion by the end of the year – a massive shift – thus solidifying the demand for a Deposit Services role at the senior level within the credit union. Combined with this need, several other management changes were announced including a senior level position focused on core processor conversion and integration, and an executive level position focusing on our branches and deposits.

Our physical locations experienced change and grew in 2018 as well. We installed new ATMs in Clover and Great Falls to better serve our members. In Columbia, we opened a new office on Killian Road in a growing and highly populated area. In Spartanburg, we purchased and completely renovated a building to provide a larger and a more convenient location for our Spartanburg members. In Rock Hill, we transformed and remodeled the former Rock Hill School District building, providing additional support to members and creating room for future growth at our newly opened Rock Hill Center. This location now houses our Recovery Services department, portions of our Contact Center, eBranch and has several training rooms.

With our added presence in Columbia, we've added a new Business Development Officer to enhance share and loan growth in this new market. We also added 124 business partners to our field of membership, which gives another 22,000 people the opportunity to become members.

As a whole, we also continue to evaluate our physical locations and how we can better serve our members in our branches. In 2018, we completed the installation of cash recyclers in all locations which allows for faster teller transactions and helps serve our members more efficiently. We also added a new position – Financial Services Representative Specialist (FSR) – to provide a training resource for our FSRs in the branch.

Our employees are a vital part of our organization, and we continue to invest in the development of each employee in order to provide excellent service to our membership. In 2018, we engaged in leadership and personal development training, created a career path program for specific positions, and continued to provide job specific training for new and existing employees. At year-end, we had over 700 full-time and part-time employees and the results from our fourth quarter Employee Engagement Survey will allow us to improve operation and communication efficiencies.

On the member experience side, we successfully launched a new and improved Founders Online – an impressive change – with enhanced safety and end user features. Within the Founders App, we launched an upgrade to mobile check deposit to give our members better functionality and features. We also added the functionality to change Debit Card PINs over the phone, making it easier to handle and manage your finances.

Founders Investment Services experienced a significant change with the transition to a new broker/dealer. Additionally, in December of 2018 with the Loyalty Bonus payout, we launched our newest and highest yield savings account – Loyalty Select – which 2018 Loyalty Bonus recipients received automatically with their payout. Loyalty Select is a product we will continue to expand with new ways in which members can deposit funds including Edge Up – a program allowing members to round up their purchases and increase savings; Cash In – an avenue in which members can turn their CURewards® points from select Founders Credit Cards into a deposit to Loyalty Select; and Dividend Amp – a way for certificate dividends to be deposited in Loyalty Select.

Our growth continues to give us opportunity for change and the ability to do more for our members. Our Contact Center was recognized as a Best In Class Contact Center through an independent review, solidifying that throughout all this change, Founders representatives are always available to assist members with questions regarding their finances. Our member wait and hold times continue to decrease with our Recovery Services and Loss Control departments, thus allowing our abandoned calls to decrease and our average speed-to-answer to increase.

In the online world, change is constant. Our constant monitoring of online threats has allowed us to mitigate ransomware attacks. We also succeeded in securing personal identifiable information and data cleanup, to ensure the information we have is safe and secure. With the ever-expanding online attacks, we were able to expand our Fraud Department and implement many strategies to better protect our members' information.

No matter how much we advance technologically, we stay true to our roots by contributing to and staying involved in the communities we serve. Our Financial Education program continues to grow in popularity in the high schools and groups in our footprint. In 2018, over 3,000 youth completed our Mad City Money simulation, giving them a real-world experience in budgeting and finance. We also continue to support our communities financially as a way to help create positive change and have contributed our time and monetary assistance to more than 600 organizations.

Perhaps the biggest change we have been preparing for is our upcoming Core Conversion project (transitioning our current data system to a new one). While the project itself is nowhere near completion, we have already begun tackling the tasks at hand in preparation for this massive undertaking including data cleanup and adjusting staffing to prepare for the conversion process. While this project relies heavily on back-office teams comprised of subject matter experts, additional data validation teams will be formed to test the data on the new core and testing will be completed throughout the credit union to ensure there is limited downtime in hours of operation when the conversion actually occurs.

Change is exciting. Change is never-ending. Change keeps us thinking and keeps us working. Change isn't always bad. Change opens new doors, awakens new opportunities and engages new abilities we may not have even known we had.

BOARD OF DIRECTORS



Back Row: Richard A. Hall; Ron. W. Gray, DDS, Chairman; Joseph C. Keenan, Ph.D.; J.C. Rainey, Jr.; Jeff D. Crane; Don A. Worley; S. Marvin Waldrep; Amy B. Faulkenberry
Front Row: Harlean V. Carter; Bruce A. Brumfield, President & CEO; Roy A. Hunt, Secretary



EXECUTIVE MANAGEMENT TEAM

Back Row: Elizabeth Bagwell, Chief Audit Officer; Bob Bender, Chief Technology Officer; Nicki Nash, Chief Marketing Officer; Jennifer Parker, Chief Strategy & Quality Assurance Officer; Keith Wilson, Chief Operations Officer- Branches and Deposits; Scott Garbett, Chief Information Officer; Michelle Bragg, Senior Vice President - Employee Engagement; Phyllis Bunkley, Chief Human Resources Officer; Larry Higgins, Chief Legal Counsel; Geri Rucker, Chief Operations Officer - Lending, Cards and eServices. Front Row: Wylie Wood, Chief Recovery Officer; Bruce A. Brumfield, President & CEO; Joe McCain, Chief Procurement Officer; Not Pictured - Tony Gilreath, Chief Financial Officer.



CONSOLIDATED FINANCIAL STATEMENTS

(CONDENSED)

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

ASSETS

| | As of December 31, | |
|--|-------------------------------|--------------------|
| | 2018 | 2017 |
| | <i>(dollars in thousands)</i> | |
| ASSETS: | | |
| Cash and Cash Equivalents | \$171,886 | \$102,591 |
| Securities and Other Investments | 106,357 | 142,636 |
| Loans, Net of Allowance for Loan Losses of \$24,527 and \$23,683 for 2018 and 2017, respectively | 1,974,391 | 1,749,254 |
| Property and Equipment | 82,515 | 78,379 |
| Other Assets | 63,264 | 57,803 |
| Total Assets | \$2,398,413 | \$2,130,663 |

LIABILITIES AND MEMBERS' EQUITY

| | As of December 31, | |
|--|-------------------------------|--------------------|
| | 2018 | 2017 |
| | <i>(dollars in thousands)</i> | |
| LIABILITIES: | | |
| Members' Share and Savings Accounts | \$1,954,494 | \$1,761,326 |
| Borrowings and Notes Payable | 100,321 | 50,400 |
| Other Liabilities | 24,493 | 21,573 |
| MEMBERS' EQUITY: | 319,105 | 297,364 |
| Total Liabilities and Members' Equity | \$2,398,413 | \$2,130,663 |

CONSOLIDATED STATEMENTS OF INCOME

| | For the years ended December 31, | |
|---|----------------------------------|-----------------|
| | 2018 | 2017 |
| | <i>(dollars in thousands)</i> | |
| Interest Income | \$112,120 | \$101,743 |
| Interest Expense | 23,474 | 19,630 |
| Net Interest Income | 88,646 | 82,113 |
| Provision for Loan Losses | 18,794 | 19,863 |
| Net Interest Income After Provision for Loan Losses | 69,852 | 62,250 |
| Non-Interest Income | 56,096 | 48,464 |
| Non-Interest Expense | 103,662 | 97,290 |
| Net Income | \$22,286 | \$13,424 |

The Supervisory Committee is appointed by the Board of Directors in accordance with the Federal Credit Union Act. Its primary responsibilities to the membership are to ensure the effectiveness of the system of Internal Control, adherence to established policies and procedures, and the overall safety and soundness of Founders Federal Credit Union.

The Internal Audit Department reviews credit union operations and annually updates a formalized risk assessment of all products and services. In addition, numerous audits are conducted to determine the effectiveness and efficiency of operations, reliability of financial reporting and compliance with respective policies and procedures. Audit findings, recommendations and management's responses to audit reports are presented to the Supervisory Committee and management.

To accomplish our annual goals, the Supervisory Committee engages an independent public accounting firm to audit the consolidated financial statements as well as management practices and procedures to ensure they are sufficient to safeguard members' assets. To assist in fulfilling our responsibilities, the Supervisory Committee retained the services of the certified public accounting firm of Doeren Mayhew, CPAs and Advisors to perform an audit in accordance with auditing standards generally accepted in the United States of America and to express an opinion on the fairness of the consolidated financial statements. Their audit report, which contained an unmodified opinion dated April 4, 2019, confirmed the credit union's consolidated financial statements for 2018 were materially correct and presented in conformity with accounting principles generally accepted in the United States of America. The consolidated financial statements for 2017 were audited by CliftonLarsonAllen LLP; their audit report, issued on March 26, 2018, expressed an unmodified opinion on these statements.

The 2018 and 2017 audited consolidated financial statements of Founders Federal Credit Union and related independent auditors' reports can be obtained online at foundersfcu.com or by contacting us at 1-800-845-1614. Based upon the reports of the certified public accounting firms, and a thorough review of the credit union's operations, we believe Founders Federal Credit Union is well managed and financially sound.

Robert McBurney
Chairman

David Brunt
Sherri Gregory
Roy Hunt
Kofi Wright



SUPERVISORY COMMITTEE REPORT

To request a full version of our Consolidated Financial Statements, please call us at 1-800-845-1614 or send a message through our Contact Us form located on our website at foundersfcu.com.



FOUNDERS
FEDERAL CREDIT UNION