





## Board Chair & CEO Report

# *Delivering the credit union mission in challenging times*

Over the past few years of uncertainty throughout the nation, the Board of Directors and Management of UT Federal Credit Union utilized the principles set forth in the credit union mission that have guided UTFCU since 1969 to remain financially strong and a stable resource for our communities.

To provide our members with exceptional financial service, education, and leadership.

UTFCU charted a course for 2011 that built upon this mission in conjunction with the credit union's strengths - providing outstanding products and services, maintaining the best possible rates in combination with competitive fees, and ensuring exceptional member service and convenience.

Although we began the year with optimism for economic recovery, the credit union saw sluggish demand on borrowing during the first half of the year. However, as the summer temperatures began to climb higher, so did the lending needs of our members. Building on the momentum of the summer auto loan promotion, the fourth quarter for the credit union marked the largest increase for new loans in many years. Part of this was due to the special loan promotion, but largely it was due to the loyalty and confidence that our members have in us. So, to our members, Thank You!

UTFCU continues to diversify the types of products offered to members to allow for increased opportunities in products and services. An alliance with Sallie Mae to offer private student loans and recognition as a lender of Small Business Administration (SBA) loans, can give students and small business owners in our field of membership the chance to realize their dreams. It's a perfect fit with the philosophy of credit unions – people helping people. In fact, UTFCU's business lending portfolio is one of the most rapidly growing and most stable offerings at the credit union.

During the summer, UTFCU debit cards were reissued with a new look to include a switch to MasterCard that expanded products and free services and also saved your credit union money in processing and issuance of debit cards.

Looking forward, over the course of the next few months, you'll see upgrades to your paper statements and online banking. With advances in technology, the time is right to expand electronic banking services.

With the principles of the credit union vision in mind, UTFCU approached the year with continued commitment to support our communities through events and charities. In June 2011, UTFCU launched a 20-month financial education program with the backing and support of Greater Warner A.M.E. Zion Tabernacle Church and CONNECT Ministries to reach into the neighborhoods surrounding the church on Martin Luther King Blvd. to the Fort Sanders area. This free program shares the expertise of credit union employees on a variety of topics. In 2012, the Memphis branch staff at the University of Tennessee Health Sciences Center is recreating that program for UTHSC employees at the request of campus administration.

Many times we read the headlines in the paper or hear the talking heads on TV warning us that the economic future for this country continues to be bleak. Over the past several years of turmoil, your credit union has weathered the brunt of the storm and we are running a leaner ship because of our strategic measures.

Without the loyalty of our members, we would not be where we are today. Once again, we thank you for your support and trust in being your financial partner.



**Debbie Jones, CPA**  
President/CEO

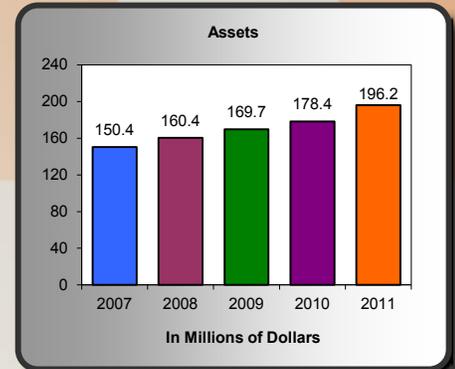


**Dr. James Brace,**  
Board Chair

# Statements of Financial Condition

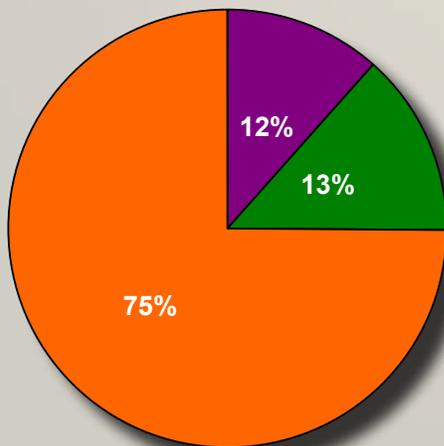
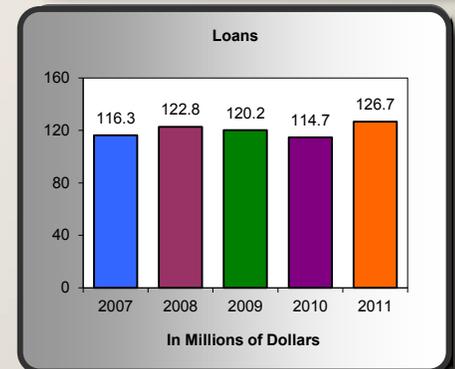
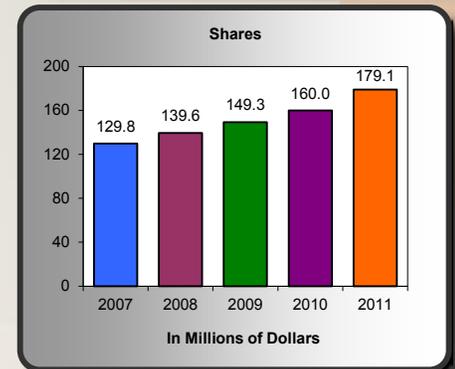
## December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 18,153,638	\$ 24,200,654
Investments	39,734,030	27,887,484
Loans to Members	126,719,754	114,744,134
Allowance for Loan Losses	(760,080)	(915,894)
Property and Equipment, Net	8,921,216	9,308,013
NCUSIF Deposit	1,682,092	1,498,157
Other Assets	1,772,942	1,689,646
<b>Total Assets</b>	<b><u>\$ 196,223,593</u></b>	<b><u>\$ 178,412,193</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Members' Share and Certificate Accounts	\$ 179,082,974	\$ 159,954,792
Borrowed Funds	-	2,500,000
Other Liabilities	1,573,741	979,499
Reserves	15,566,878	14,977,903
<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 196,223,593</u></b>	<b><u>\$ 178,412,193</u></b>



### Statements of Income Years Ended December 31, 2011 and 2010

	2011	2010
<b>INTEREST INCOME</b>		
Interest Earned on Loans	\$ 6,295,233	\$ 6,971,315
Interest Earned on Investments	640,032	341,748
Total Interest Income	\$ 6,935,265	\$ 7,313,063
<b>DIVIDENDS AND INTEREST EXPENSE</b>		
Dividends on Members' Share and Certificate Accounts	\$ 1,001,966	\$ 1,286,505
Interest on Borrowed Funds	79,225	139,526
Total Interest Expense	\$ 1,081,191	\$ 1,426,031
<b>Net Interest Income</b>	<b>\$ 5,854,073</b>	<b>\$ 5,887,033</b>
Non-Interest Income	2,421,326	2,322,886
Non-Interest Expense	7,007,285	6,993,002
<b>NET INCOME Before Provision for Loan Losses</b>	<b><u>\$ 1,268,114</u></b>	<b><u>\$ 1,216,917</u></b>
Provision for Loan Losses	390,434	756,590
<b>NET INCOME Before NCUSIF Stabilization and Corporate Credit Union Losses</b>	<b><u>\$ 877,680</u></b>	<b><u>\$ 460,327</u></b>
NCUSIF Stabilization	420,523	384,462
Corporate Credit Union Losses	-	(10,366)
<b>NET INCOME</b>	<b><u>\$ 457,157</u></b>	<b><u>\$ 86,231</u></b>



- Dividends and Interest
- Undivided Earnings
- Operating Expenses

#### Disposition of Income

**2011**

Dividends to Members and Interest on Borrowed Funds	1,081,191
Undivided Earnings, Prior to Provision for Loan Losses, Stabilization, and Corporate Losses	1,268,114
Operating Expenses	7,007,285

**Total Income**

**\$ 9,356,591**

## Supervisory Committee Report



The role of the Supervisory Committee is to assist the Board of Directors in fulfilling its responsibility for the integrity of the credit union's financial statements, compliance with legal and regulatory requirements, qualifications of the independent auditor, and performance of the credit union's internal audit functions.

The management, policies, procedures, and financial operations of UT Federal Credit Union are subject to routine federal examination by the NCUA, which occurred in June 2011. Additionally, the firm of LarsonAllen, LLP, Certified Public Accountants, was selected to perform a comprehensive certified opinion annual audit on the credit union's financial statements as of June 30, 2011.

The results of the audit indicated that the financial statements present fairly the results of the operations and financial position for the period, and no material weaknesses in internal controls were reported.

In addition to external audits and regulatory examinations, the credit union also employs a full-time Internal Auditor who reports directly to the Supervisory Committee.

Respectfully submitted,

**Dr. David Coffey**

Supervisory Committee Chair

## Treasurer's Report



During 2011, UT Federal Credit Union saw marked improvement over previous years as the credit union began to experience renewed loan growth. Every individual and financial institution has been affected in one way or another by the recent challenges resulting from the economic downturn and, through it all, UTFCU has remained financially strong and responsive to the needs of our members.

In 2011, UTFCU outstanding loans grew to \$126,719,754 or 10.44%. The credit union's total loan portfolio exceeded the 2010 amount by more than \$11.9 million. Additionally, assets grew 9.98% to \$196,223,593 for a net increase of more than \$17.8 million. Net shares grew 11.96% in 2011 to \$179,082,974. Loan losses dropped significantly during 2011, resulting in an increase in net income from \$86,231 in 2010 to \$457,157 in 2011.

UT Federal Credit Union holds the best interests of our members in high regard and remains competitive while continuing a long history of giving back to our members and the communities that we serve. We are confident that UTFCU will continue to grow and prosper in the coming years.

Respectfully submitted,

**James H. Hodge**

Treasurer

## Campus Support Through Scholarships

There are many reasons why UT Federal Credit Union has ties to the institutions of higher learning within our field of membership. One contribution UTFCU makes is through the Campus Support program. This initiative makes an annual donation to scholarships at University of Tennessee campuses in Knoxville, Martin, and Memphis, and Pellissippi State Community College. The program pledges 5% of profits derived from interchange income from the use of debit and credit cards to the General Scholarship Fund of each university campus.

In 2011, the credit union presented the following checks to UT and Pellissippi representatives:

University of Tennessee Endowment	\$ 17,962
UT Knoxville General Scholarship Fund	\$ 10,000
UT Martin Scholarship Fund	\$ 5,000
UT Health Science Center in Memphis Scholarship	\$ 1,000
UT School of Agriculture, Mike Keel Scholarship	\$ 1,000
Pellissippi State Technical Community College	\$ 2,000



Presenting Campus Support Checks during the 2010 Annual Meeting are Debbie Jones and Gail White to (from left) Marc Gibson, Director of Corporate Support, Office of Development & Alumni Affairs; Les Fout, Director of Major Gift Development at PSTCC; and Charley Deal, Assistant Vice Chancellor, Alumni Relations, UTM.

# Minutes of the 2010 Annual Meeting, April 14, 2011

Chair Gail White called the 2010 Annual Meeting of the membership of UT Federal Credit Union to order at 6 p.m. in the training room of the main office building. There were 110 members in attendance.

Chair White announced that during the past 15 years, UTFCU has donated \$336,000 to the Campus Support Program. Chair White and Ms. Debbie Jones presented a check in the amount of \$2,000 to Pellissippi State Technical Community College. Accepting the gift on behalf of Pellissippi was Mr. Les Fout, Director of Major Gift Development. Accepting the \$5,000 check to UT Martin was Mr. Charley Deal, Assistant Vice Chancellor, Alumni Relations, University of Tennessee Martin. Accepting the \$27,962.57 check on behalf of The University of Tennessee was Mr. Marc Gibson, Director of Corporate Support, Office of Development & Alumni Affairs. A check for \$1,000 will be presented to UT Memphis on the next visit to Memphis by Ms. Jones. These funds come from 5% of the interchange income of debit and credit card usage, and benefit the general scholarship funds of the universities in the credit union's field of membership.

There being no additions, deletions, or corrections, the minutes of the 2009 Annual Meeting were approved as submitted.

Chair White welcomed those in attendance and announced that she was retiring from the Board of Directors and she thanked the membership for the opportunity to serve on committees and the board since 2002. Chair White recognized and thanked all the volunteers who contribute their time and expertise to UTFCU including members in attendance who are past Board, Supervisory and committee members.

Ms. Jones began the President's report by stating that this has been another difficult and challenging year. With the economic downturn, every day there seems to be a new challenge due to compliance changes. During 2010, we offered free educational workshops and classes and resources to help our members during these difficult times. Our partnership with LPL and our in-house broker, John Fawaz, have helped our members with their financial plans. We also have a program with Balance Financial Fitness to help members in difficult situations. Along with the economic landscape, the regulatory and compliance area has changed greatly. In order to offset the many changes in regulatory reform that has decreased our income, we have worked hard to lower expenses while trying to keep our fees low and continue to pay competitive rates. In every decision we make, we are constantly asking how it's going to affect our members.

Although our credit union has consistently operated in a sound manner, we are being burdened by NCUA with an assessment to help rebuild the corporate credit union system. In the past three years, that amount has been

almost \$900,000. In order to mitigate these assessments, we will continue to manage our balance sheet by diversifying our loan portfolio with new products such as small business loans and private student loans. We have recently hired a new Senior Vice President of Lending, Jonathan Patrick. Jonathan came to us with extensive commercial lending experience that will allow us to expand loans in this area. Ms. Jones announced that we are finalizing plans to partner with West High School to open a credit union branch at their school which will be run by students. There will be about 20 students who will work in the branch as part of their business curriculum and will conduct transactions and learn about how the credit union operates. We will continue to help our members in any way we can through financial education and resources. We are entering into a partnership with the Greater Warner Tabernacle AME Zion Church for a twenty-month financial education program. We are also scheduled for a debit card conversion in August this year which will reduce our costs while providing better fraud protection to members. Ms. Jones stated that the credit union has a dedicated board and staff who continue to work hard to meet the needs of our members.

Ms. Jones recognized employees with milestone anniversaries - 5 years of service; Lisa Rodgers, EVP/COO; Jessica Merritt, Loan Officer; Lawrence Clements, Facility Services Superintendent; Patti Neil, Financial Consultant; Geneen Kennedy, Senior Financial Consultant; Tia Broughton, Loan Officer; Danielle Bodey, Call Center Consultant; Michelle Webster, Compliance Officer; Wendy Cleveland, Retail Floor Manager. For 10 years of service: Melanie Sprague, Mortgage Loan Officer; Kim Sump, Electronic Services Representative; Elizabeth DeBusk, Call Center Manager; and Robyn Stroud, Quality Control Coordinator.

Ms. Jones gave a special thank you to Malinda Wood, VP of Marketing; Teri Branam, Theresa Combs, Rebecca Alcorn and Lawrence Clements for coordinating the annual meeting. Ms. Jones thanked members for their continued support and confidence in UT Federal Credit Union. She stated that we remain committed to enriching the lives of our members and we will continue to strive to serve them well.

Chair White recognized Debbie Jones for her 15 years of service with UT Federal Credit Union. Chair White stated the Treasurer's report is in the Annual Report for review and asked Ms. Rodgers to present the Financial Report.

Ms. Rodgers referred to the Statements of Financial Condition as of December 31, 2010 in the Annual Report. She reported that our assets grew 5.13% in 2010 from \$169,701,337 to \$178,412,193. Our shares grew 7.16%. Loans decreased by 4.53%; this is an industry-wide trend. On our Statement of Income, she noted that our Net Interest Income decreased by \$185,000. Our non-interest income has

decreased by \$133,000. The decrease is predominately due to regulatory changes that are impacting our ability to generate non-interest income. We were able to reduce our operating expenses by \$115,000. In 2010, the Provision for Loan Losses dropped to \$756,590 as compared to \$1,465,509 in 2009. Our Net Income before NCUSIF Stabilization and Corporate Credit Union Losses was \$460,327 as compared to a Net Loss of \$45,363 in 2009. With the NCUSIF Assessment of \$384,462, we had a Net Income of \$86,231.00.

Dr. David Coffey presented the Supervisory Committee Report, as detailed in the Annual Report.

Dr. James Brace, Vice-Chair, recognized Chair White for her years of service to the credit union and thanked her for her contributions. Ms. Jones presented Chair White with a gift certificate in appreciation of her service.

Chair White announced that there are three positions on the Board because we have three Board members whose terms are expiring: Mike McNeil, Gail White and Ann Atchley. The Board appointed a nominating committee to recommend replacements. Chair White introduced Bruce Anderson, chair of the nominating committee, which included Dr. James Brace and Mr. Charley Deal. Mike McNeil was asked to run for re-election for another three year term. The nominating committee recommended John Sheridan, Vice President for Community & Government Relations at UT Medical Center, and Dr. Katie High, Interim Vice President for Academic Affairs and Student Success, to fill the other two Board positions.

Since no petitions were received for Board nominations during the nomination process, and the nominating committee has recommended the above individuals, these will be the three Board members elected each for a three year term. Chair White congratulated the new Board members.

Chair White introduced Mr. Bill Landry from the Heartland series. Mr. Landry entertained members with stories of some of the adventures he experienced during the years he taped the Heartland television series.

Chair White announced the door prize drawing which was fashioned after the "Deal – No Deal" television show. Miss Delaney Sexton assisted Ms. Jones in drawing names for the prizes.

Chair White thanked the staff for their hard work in making UTFCU a success and thanked everyone for attending. There being no further business, the 2010 Annual Meeting of UT Federal Credit Union adjourned at 7:05 p.m.

Respectfully submitted,

Ann Atchley, Secretary  
Gail White, Chair  
Theresa Combs, Recording Secretary



# make the difference

Long before the credit union adopted a community charter, partnering with groups throughout the community, businesses, companies, and schools where the credit union is located, has always been an important part of the credit union mission. Now more than ever, this investment into the community is extremely important to reinforce being a partner for many people.

In 2011, UTFCU opened its first in-school branch at West High School in Knoxville, pictured above. The student-run branch is part of the business curriculum.

This list contains many of the events, programs, and resources the credit union staff was a part of throughout the year.



Frank M. McClung Museum  
UTK Library  
Mtn. Man Memorial March UTK ROTC  
UTK Vet School Symposium  
UTK Gardens  
UTK Center for Entrepreneurship  
UniTe - UTK Alumni Association  
Upward Bound  
UT Martin Athletic Department  
Pellissippi State  
East TN. Children's Hospital  
Character Counts  
WATE Teacher of the Month  
Belle Morris Elementary School  
Brickey-McCloud Elementary School  
Copper Ridge Elementary School

Maynard Elementary School  
Austin East High School  
Bearden Middle School  
Farragut High School  
Karns High School  
Powell High School  
Tennessee School For the Deaf  
West High School  
American Heart Association  
March of Dimes  
Smoky Mtn. Service Dogs  
Boys & Girls Club  
ALS Association  
Teen Board  
Young Professionals of Knoxville

## UT Federal Credit Union

### Main Office

2100 White Avenue  
Knoxville, TN 37916  
865-971-1971 / 800-264-1971

### UT Medical Center

1924 Alcoa Highway  
865-305-6691

### Franklin Square

9700 Kingston Pike, Ste 24  
865-971-1971 ext. 161, 163

### University Center at UTK

1502 W. Cumberland Avenue  
865-971-1971 ext. 366, 367

### Emory Road in Powell

707 East Emory Road  
865-971-1971 ext. 375

### Martin

103 Hurt Street  
731-587-5451

### Memphis

910 Madison Avenue, Ste 100  
901-448-3600

### Board of Directors

Dr. James Brace, Board Chair  
Mike McNeil, Vice Chair  
Bruce Anderson, Secretary  
James H. Hodge, Treasurer  
Paul Bates  
Charley Deal  
Dr. Katie High  
John Sheridan  
Butch Smith

### Supervisory Committee

Dr. David Coffey, Chair  
Michael Carter  
James Price  
Susan Reed  
Gail White

### Agenda

- Call to Order
- Presentation of Campus Support Checks
- Approval of 2010 Annual Meeting Minutes
- Board Chair's Report-  
Dr. James Brace
- President's Report-  
Debbie H. Jones
- Financial Report-  
Lisa Rodgers
- Supervisory Committee Report-  
Dr. David Coffey
- Unfinished Business
- New Business
- Election Results-  
Bruce Anderson
- "You Just Can't Make This Stuff Up!" -  
Sam Venable
- Door Prizes
- Adjourn

Thank you for attending!

