



Enhancing
Our
Technology
to
Improve
Your
Experience

2016
**Annual
Report**

Federally Insured by NCUA

Report of the Chairman of the Board & President/CEO

Last year we began to see a recovery in our economy, with the return of competitive interest rates and a rebounding mortgage environment. According to CUNA Mutual Group, in November of 2016, the economy added 204,000 jobs, the unemployment rate fell to 4.6%, personal income rose 0.1%, personal spending rose 0.2%, and consumer prices rose 0.2%. In addition to the economic increases, the sale of new homes rose by 5.2%, existing home sales rose 0.7%, home prices rose 1.1%, and the 10-year Treasury interest rate increased 38 basis points to an average of 2.14%. These numbers show an improvement in consumer confidence.

With 2016 showing notable economic growth, EPFCU had to find creative ways to keep up with the competition. We challenged our staff to find ways to reduce our expenses and generate income without directly affecting you, our valued member. One way we were able to produce more income was through the purchase of used car participation loans, these generated more loans at a higher yield. The purchase of the participation loans allowed us to price our new and used auto loans slightly lower than the competition and give you the best rate possible. Last year also afforded us the opportunity to book more first mortgages and build up our home equity loan portfolio.

Credit Unions are seeing an increase in the average age of their members, and we are experiencing that here at EPFCU as well. So for the first time, last year, we offered a free retirement seminar to the employees of the Bureau of Engraving & Printing. The seminar was very successful and many attendees requested more educational sessions on additional financial topics. As requested, 2017 will bring more seminars that speak to our members of all ages. If you can't make a seminar, we offer free financial webinars on our website through our business partner, BALANCE.

We realize that along with education we need to provide you with the tools to access your account wherever, whenever. Last year we began implementing our new online banking platform and a true mobile app, which can be found in the app store. Technology keeps improving and we realize that we have to keep up with the enhancements. Another upgrade is our new secured chip technology debit cards. We started replacing all of our plastic cards in 2016 to ensure that you have an EPFCU secure debit card in your wallet.

As we do every year, we proudly sponsored the Credit Union Cherry Blossom Ten Mile Run along with Credit Unions across the country. Credit Unions are the main sponsor of the Cherry Blossom Run and have worked together to raise millions of dollars for Children's Hospitals. EPFCU's staff participated in the MD|DC Credit Union Association's annual bowling event to raise money for our local Children's Hospital. And our members, staff and friends provided recipes for our "Cooks with Friends and Family" cookbook, which we sold during the holidays. We sold 80 cookbooks and raised an additional \$1,395.50 for our local Children's Hospital. This is truly the Credit Union Difference.

We are looking forward to 2017 being a great year. We will continue to enhance your member experience and help you achieve your financial goals, whether that be through the purchase of a new home or auto, helping you finance your higher education, or providing you with the resources to be a smarter consumer. The EPFCU Board, Management and staff appreciate your membership and we are all dedicated to your financial success.

Respectfully submitted,



Gregory E. Boutin
Chairman, Board of Directors



Kirsten H. Williams
President/Chief Executive Officer

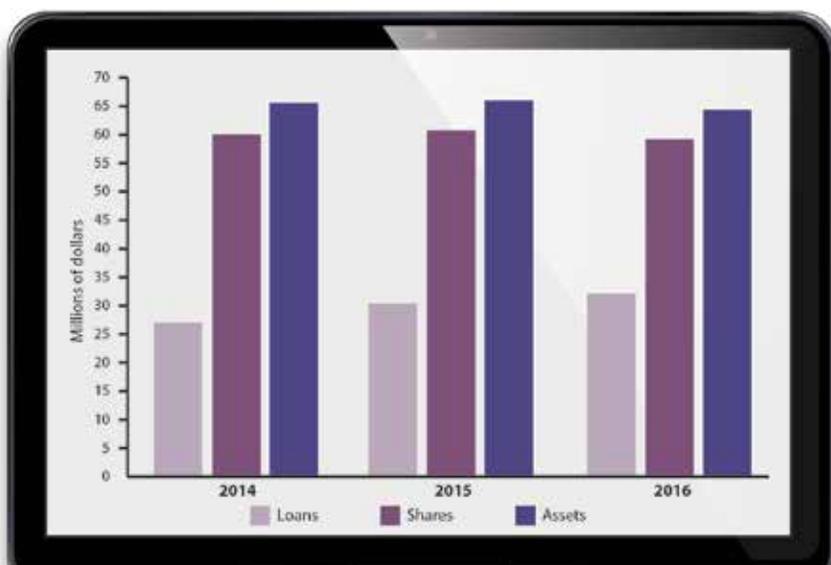
Statements of Financial Condition

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,465,928	\$ 4,899,286
Investments:		
Available-for-sale, at fair value	25,695,287	28,508,089
Other investments, at cost	314,749	314,749
Loans to members, net of allowance for loan losses	32,703,991	30,862,277
Accrued interest receivable	118,164	123,214
Prepaid expenses and other assets	3,034,674	547,148
Premises and equipment, net of accumulated depreciation and amortization	227,303	149,270
NCUSIF deposit	<u>584,627</u>	<u>600,868</u>
TOTAL ASSETS	<u>\$ 64,144,723</u>	<u>\$ 66,004,901</u>
LIABILITIES AND MEMBERS' EQUITY		
Liabilities:		
Members' deposit accounts	\$ 58,174,861	\$ 60,521,941
Accounts payable and accrued expenses	406,999	436,378
Line of Credit	<u>629,334</u>	<u>–</u>
Total liabilities	59,211,194	60,958,319
Members' Equity:		
Members' equity, partially restricted	<u>4,933,529</u>	<u>5,046,582</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 64,144,723</u>	<u>\$ 66,004,901</u>

The condensed financial statements presented herein do not constitute a complete set. The complete set including the statements of members' equity and cash flows and notes to the financial statements, is available in the credit union office.

2016 in Review



Statements of Comprehensive Income

For the Years Ended December 31, 2016 and 2015

	2016	2015
INTEREST INCOME		
Member loans	\$ 1,542,451	\$ 1,653,630
Investment securities	<u>361,416</u>	<u>452,253</u>
Total interest income	1,903,867	2,105,883
INTEREST EXPENSE		
Members' shares and savings accounts	165,913	207,920
Borrowed funds	<u>1,039</u>	<u>430</u>
Total interest expense	<u>166,952</u>	<u>208,350</u>
Net interest income	1,736,915	1,897,533
LESS PROVISION FOR LOAN LOSSES		
	<u>157,471</u>	<u>(58,682)</u>
Net interest income, after provision for loan losses	<u>1,579,444</u>	<u>1,956,215</u>
NON-INTEREST INCOME		
Fees, charges and other income	936,710	934,293
Net Gain on Sale of Securities	35,087	6,284
Net Loss on Sale of Assets	<u>(9,618)</u>	<u>(16,958)</u>
Total non-interest income	<u>962,179</u>	<u>923,619</u>
NON-INTEREST EXPENSE		
Employee compensation and benefits	1,355,678	1,361,863
General and administrative	1,106,943	1,229,434
Professional services	100,451	96,007
Federal operating fees	12,009	11,949
Association dues	<u>18,505</u>	<u>19,684</u>
Total non-interest expense	<u>2,593,586</u>	<u>2,718,937</u>
Net income	<u>(51,936)</u>	<u>160,897</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Net unrealized gains (losses) on investment securities arising during the year	(26,001)	(15,057)
Reclassification for gains included in net income	<u>(35,087)</u>	<u>(6,284)</u>
Total other comprehensive income (loss)	<u>(61,088)</u>	<u>(21,341)</u>
Comprehensive income	<u>\$ (113,051)</u>	<u>\$ 139,556</u>

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Supervisory Committee Report

One of the duties of the Supervisory Committee is to retain an outside accounting firm to perform an annual audit of all financial records. Our federal regulator, the National Credit Union Administration (NCUA), also audits the credit union at least once annually. In addition, our committee is responsible for conducting random, unannounced cash audits.

The Supervisory Committee contracted DeLeon & Stang to conduct the audit as of December 31, 2016. We are pleased to announce that the credit union received an unqualified opinion. Because of the requirements for full disclosure, and the length of the reports as a result of all the necessary disclosures provided in the footnotes to the financial statements, this report is not included in this annual meeting package. The complete audit report with the financial statements as of December 31, 2016 and 2015 has been posted on the credit union's website, and can be located at epfcu.org.

We are in compliance with federal regulations and operate well within accepted guidelines. Your credit union remains a safe harbor for your savings, and a reliable resource for your borrowing needs.

Adam Y. Veney, Chairperson
Clifford Daly
Joey Lowery
Lorna Washington
Tamalyn D. Smith

A close-up photograph of a person's hands holding a smartphone. The phone's screen displays the EPFCU website, which features the credit union's logo and various service offerings. The person is wearing a white dress shirt. The background is a solid dark blue color.

Treasurer's Report

During 2016, EP Federal Credit Union has maintained assets of over \$64 million. The credit union paid \$165,913 in dividends to members, and granted over \$6,000,000 in new loans. The credit union ended 2016 with net worth of 8.55% and maintained its "well capitalized" rating under the provisions of the Credit Union Membership Access Act.

For 2017, we anticipate a continuation of the current economic climate, with modest interest rate increases during the year due to the monetary policy actions of the Federal Reserve. We will continue to aggressively promote competitive loan programs to spur loan demand and maintain our controls in operating expenses.

Thus, I look forward to 2017 being a year in which the credit union remains a solid financial institution, providing quality and cost-effective financial programs and services that meet the needs of our membership.

William T. Forrest
Treasurer

Board of Directors

Gregory E. Boutin, Chairman
William W. Wills, Vice Chairman
William T. Forrest, Treasurer
Regina D. Ragland, Secretary
Wes Beach
Thomas C. Harris
Gwendolyn W. House
Joel C. Taub
Adam Y. Veney

Board Emeritus

Joseph M. DeBose, Jr.
Joanne W. Simms

Associate Directors

Bonnie Powell

Supervisory Committee

Adam Y. Veney, Chairperson
Clifford Daly
Joey Lowery
Tamalyn D. Smith
Lorna Washington

Staff

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Executive Officer
Shannon Lavender, Executive Vice
President
Danielle Anthony, Director of Financial
Operations
Sylvia Morgan, Director of Branch
Operations
Sabrina Hockaday, Lending Manager
Delta Berry, Loan Officer
Broderick Clark, Loan Officer
Cathy Coronejo, Member Services, RRB
Tiaa Jackson, Member Services, Main
Katrina Johnson, Branch Manager, RRB
Ramona Fuller, Member Services, Texas
Marvin Wooten, Member Services, Main
Bernice Thomas, Branch Manager, CUA
Marita Varias, Accounting Assistant
Akinru Whatley, Business Development
Officer
Brian Smith, Member Services, Main
Francesco Brown, Member Services, CUA

Branch Locations

Main Office

13th & C Streets, SW — Room 215A
Washington, DC 20228

Ronald Reagan Building

1300 Pennsylvania Avenue, NW
Mezzanine Level — Room 300
Washington, DC 20004

Catholic University Campus

620 Michigan Avenue, NE
Leahy Hall — Room 180
Washington, DC 20064

Ft. Worth, Texas

9000 Blue Mound Road — Room 137
Fort Worth, TX 76131

Nationwide Shared Branches in *Your Neighborhood*

See the locator at epfcu.org.

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