



TRUE NORTH

FEDERAL CREDIT UNION

TRUE NORTH ... A locally managed credit union that provides quality financial solutions for its Alaskan members.

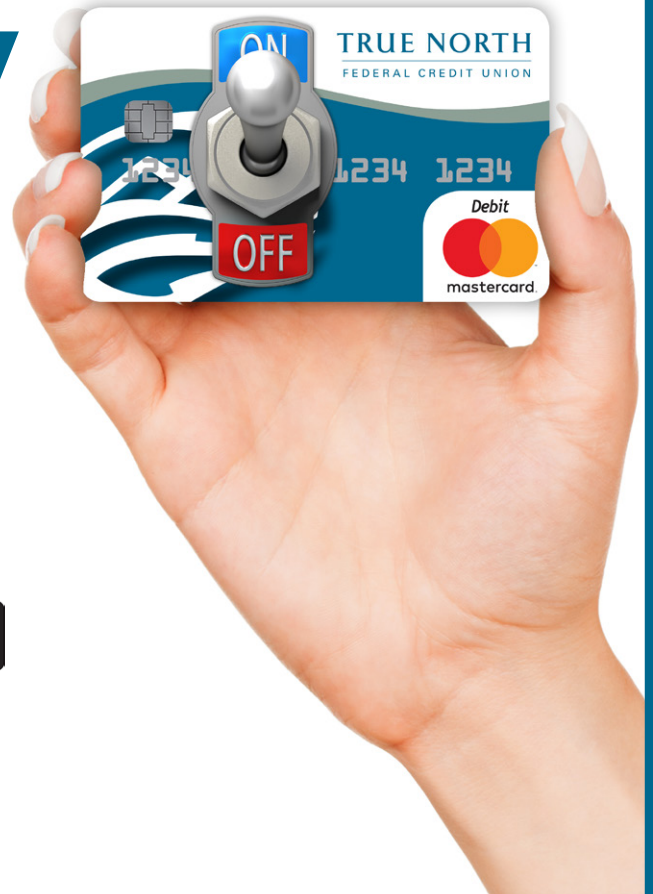
**2017
ANNUAL
REPORT**

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BOARD OF DIRECTORS

KIM GARNERO
Chair

CREIGHTON LAURENT
Vice-Chair

DAVID TEAL
Treasurer

MARK TROUPIN
Secretary

CHRISTINE MOLESKI
JIM ANDERSEN

LILLIAN "LISA" M. WORL

SUPERVISORY COMMITTEE

BUFFY PEDERSON
Chair

CHRIS LETTERMAN
ERIC DEMOULIN
COLLEEN CAMPBELL
KIM GARNERO

TABLE OF CONTENTS

BOARD OF DIRECTORS.....	PAGE 01
SUPERVISORY COMMITTEE	PAGE 01
AGENDA	PAGE 02
69TH ANNUAL MEETING MINUTES.....	PAGE 03
BOARD OF DIRECTORS ANNUAL REPORT	PAGE 04
MESSAGE FROM THE CEO	PAGE 06
MANAGEMENT TEAM	PAGE 08
SUPERVISORY REPORT	PAGE 09
COMPARATIVE INCOME STATEMENTS.....	PAGE 10
COMPARATIVE BALANCE SHEETS.....	PAGE 11
GROWTH STATISTICS FOR TRUE NORTH.....	PAGE 12
CONTACT INFORMATION.....	PAGE 14

MISSION

True North Federal Credit Union is a member owned and locally managed credit union that provides quality financial solutions for its Alaskan members. True North is dedicated to improving the economic well-being of the members, employees, and communities it serves.

ANNUAL MEETING AGENDA

TRUE NORTH FEDERAL CREDIT UNION

MARCH 14, 2018

MENDENHALL BRANCH • 2777 POSTAL WAY, JUNEAU, ALASKA

- Call to Order
- Ascertainment of Quorum
- Introduction of Volunteers
- Approval of Minutes from
March 15, 2017 Annual Meeting
- Supervisory Committee
- CEO Report
- Unfinished Business
- New Business
 - *Nomination Committee Report*
 - *Elections*
- Recognition and Awards
- Adjournment

69th ANNUAL MEETING MINUTES

TRUE NORTH FEDERAL CREDIT UNION • MARCH 15, 2017

The 69th Annual Meeting of True North Federal Credit Union was called to order at 5:35 p.m. in the lobby of the Mendenhall Valley Branch/Administration offices by Creighton Laurent, Vice-Chair of the Board of Directors.

Creighton asked Tonie Vonda how many members were in attendance, and Tonie reported that 32 members were in attendance. Creighton declared a quorum had been reached.

Creighton asked that the volunteers present introduce themselves. The Board of Directors member in attendance introduced themselves.

Creighton stated the meeting would be conducted under Robert's Rules of Order and appointed David Teal as Parliamentarian.

The membership considered approval of the minutes from the March 9, 2016 annual meeting. Creighton stated that if there was no objection, he would adopt a motion to waive reading of the minutes. Bill Peters moved that the reading be waived.

Hearing no objection, the reading was waived. Creighton stated that if there was no objection, he would adopt a motion to approve the minutes of March 9, 2016. No objection was made and the minutes were approved.

Lauren MacVay delivered the President's Report. She reported on recent accomplishments of Credit Unions in Alaska, including advocacy efforts in DC and meeting with Richard Cordray of the CFPB in Anchorage. She noted that April was National Financial Literacy Month, and Alaska Credit Unions would be holding approximately 20 Financial Reality Fairs across the state that month, including at least 2 in Juneau. Lauren reported that 2016 accomplishments included conversion to a new core operating system, new home banking system, and new voice response system. Additionally, a new phone system with contact center functionality was launched, as well as a new web site. These are important developments and will allow the Credit Union to grow and

serve members well in the future, but they resulted in a significant amount of change for the membership and Lauren wanted to acknowledge that and thank the membership for their patience. Lauren also reported on the successful launch in late 2016 of the City and Borough of Juneau's down payment assistance program, which is the kind of community partnership that Lauren hopes True North can continue to develop in coming years.

Lauren reported that earnings were strong in 2016 and member equity grew by over 9%. Finally, Lauren discussed what was to come in 2017. There will continue to be an adjustment period with the new core, but in addition a new Home Equity Line of Credit will be launched in the second quarter, as will Online Account Opening for new membership. There will be a conversion of plastics providers mid year that will complete the technology conversion initiatives laid out

Continued on page 5

BOARD OF DIRECTORS ANNUAL REPORT

On behalf of the Board of Directors of True North Federal Credit Union, I am pleased to present our 70th annual report to you! Chartered in 1948, True North is the oldest operating Credit Union in Alaska. We have a proud history of serving Alaskans, originally chartered seventy years ago as Juneau Territorial Employees Federal Credit Union. In 1959 – the year Alaska became a state – our name was changed to Juneau State Employees FCU. We then became Alaska State Employees FCU in 1978 after our merger with Northern State Employees FCU. We changed our name to True North Federal Credit Union in 2003 recognizing the expanded membership we now serve. While the names may have changed, True North's mission continues to be dedication to meeting the financial needs of its members and supporting the communities it serves.

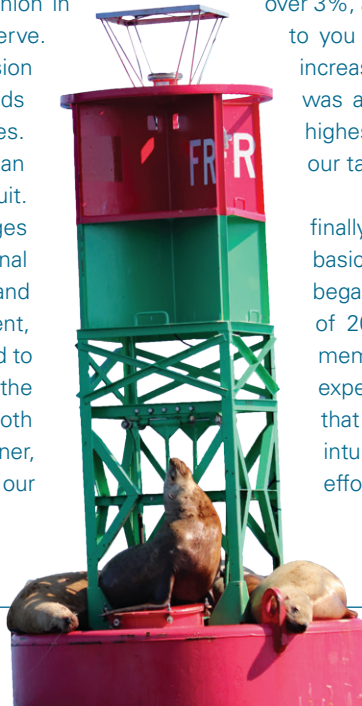
2017 was an exciting year at True North as we began to see the investments of the prior year begin to bear fruit. In 2016, the Credit Union made broad sweeping changes in technology, upgrading member facing and internal platforms. The goal was to give the Credit Union staff and management a technology foundation that was efficient, service oriented, and dynamic so that we are well poised to respond to future opportunities. In 2017, staff completed the last of the technology changes, which was converting both debit and credit card processing a new business partner, and for the first time hosting our credit card portfolio on our

own core system. This change improved efficiency, but also for the first time allowed members the same access to their credit card statements and activity as they have with their other True North accounts.

Additionally, the new core system has improved loan turn-around times, and as a result our consumer loan process has greatly improved. The result is that consumer loan volume more than doubled from 2016 levels. In 2017, True North staff disbursed \$63,934,667 in loans to members, and the loan portfolio grew by 13%! Shares grew by over 3%, and total assets increased by 3.4%. I'm proud to report to you that True North had a very strong financial year, and increased member capital by \$1.3 million, or almost 12%. This was a record year on that front. The Credit Union is at its highest capital level in its history and is very close to meeting our target Net Worth level of 9%.

With all the conversions and focus on technology finally behind us, what is next? To sum it up, a return to basics. The Board of Directors and senior management began planning for the next three year cycle in the spring of 2017. Our focus over this next planning cycle will be member service, but more specifically the totality of your experience with the Credit Union. Our goal is to ensure that our branch, contact center and electronic services are intuitive and designed to meet your needs with minimum effort. Further, management will be focused on optimizing

Continued on page 7



69th ANNUAL MEETING MINUTES *(continued)*

Continued from page 3

in the current Strategic Plan. Finally, the Credit Union Board sets forth a three year strategic plan, and 2017 marks the third year of the current plan. Therefore, in May the Board and Management will be going through a new planning process with the Filene Institute to lay a new course for the coming years.

Lauren concluded with thanks to the Board of Directors for their dedication, and thanked the True Crew for their amazing work over the past year.

Creighton asked if there was any Unfinished Business. There was none.

Creighton announced that the first item of New Business was Nominations. Gretchen Keiser reported for the Nominating Committee that two Board seats were up for election this year, those of Kim Garnero and Christine Moleski and both were seeking reelection. Gretchen reported that the Nominating Committee recommended both Kim and Christine for reelection to the Board of Directors.

Creighton asked if the candidates nominated would like to make a statement in support of their candidacy to the membership. Christine spoke of her long relationship with the Credit Union and her appreciation of the hard work of the staff and the value the Credit Union offers, and asked for the opportunity to serve another term. Gretchen read a note from Kim Garnero which spoke of her tenure with the Board, her understanding of the difficult operating environment Credit Union's face, and her optimism for the Credit Union's future.

Creighton asked if there were any nominations from the floor. No

nominations were made. Bill Peters moved to accept the slate of candidates proposed by the Nominating Committee, and the motion was seconded. Creighton asked for objections, and hearing none, the motion electing the slate of candidates passed.

Creighton asked if there was any other new business. None was raised.

Lauren MacVay then recognized nine employees for five, ten and fifteen years of service.

Creighton asked Tonie to begin with Door Prizes, and three prizes were awarded.

There being no further business before the membership, Creighton adjourned the meeting with no objection from the membership. The meeting adjourned at 5:50 p.m.

Respectfully submitted,
Mark Troupin, *Secretary*

VISION

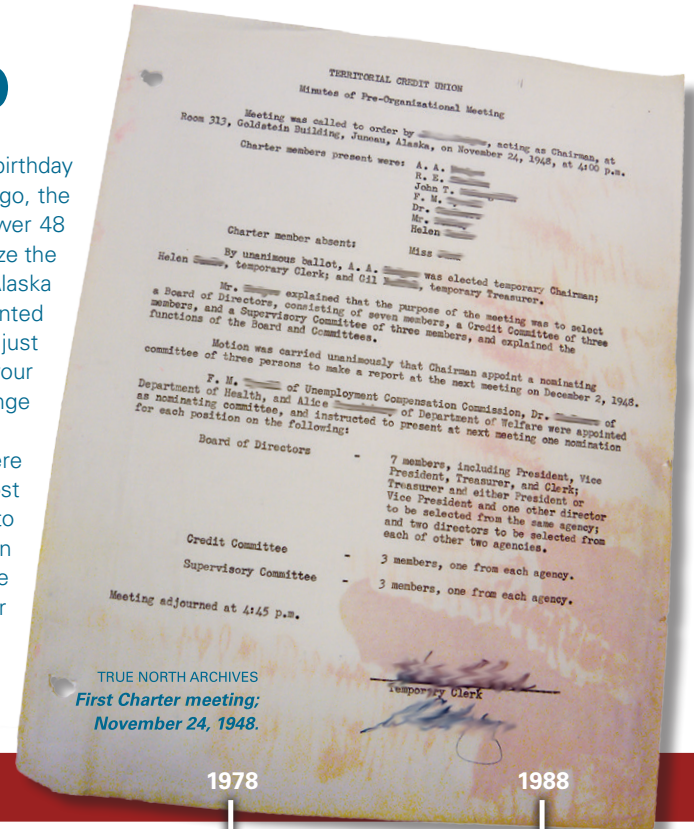
True North Federal Credit Union will be the Alaskan credit union of choice that dynamically improves the communities it serves, while offering cutting edge technology, above and beyond service, and a commitment to doing the right thing.

MESSAGE FROM THE CEO

It's hard to believe another big anniversary is upon us. It seems like our 60th birthday was just yesterday, but they say time flies when you are having fun! Ten years ago, the Credit Union was \$95Million in Assets, with a \$62Million loan portfolio. The Lower 48 was in the grips of the Great Recession and interest rates were dropping to stabilize the economy. Here we are ten years later and the Great Recession is long over, and Alaska is coming out of its own, thankfully milder, recession. After a decade of unprecedented low rates, interest rates are slowly rising. Back then the Credit Union was just launching check image access in home banking, and now the ability to deposit your check with your phone is old news. The speed at which technology is forcing change in our industry is breathtaking.

But some things don't change. In 2008, in the face of bank failures, we were telling members that we were "Local, Stable and Ready To Lend" and that most certainly holds true today. Back then our mission and our passion was service to members and communities, and that most certainly remains true today. We remain your Credit Union, owned and governed by our membership, and committed to the cooperative principles that guide the Credit Union movement – not for profit, not for charity, but for service.

Lauren MacVay, President/CEO



<p>1948</p> <p>1948: Juneau Territorial Employee FCU is chartered.</p>	<p>1958</p> <p>1959: Name changes to Juneau State Employees FCU with statehood.</p> <p>1961: \$101,000 in Assets, 485 Members.</p> <p>1967: Credit union monthly expenses are \$1,399.63.</p> <p>1967: Credit union office rent increases from \$203 to \$250 per month.</p>	<p>1968</p>	<p>1978</p> <p>1975: Work on the Alaskan Oil Pipeline begins.</p> <p>1978: Anchorage Branch opens.</p> <p>Credit union merges with Northern State Employees FCU.</p> <p>Name changes to Alaska State Employees FCU.</p>	<p>1988</p> <p>1982: Permanent Fund Dividends begins.</p> <p>1983: Valley Branch opens in Juneau.</p> <p>1984: ASEFCU merges with Skagway FCU.</p> <p>1989: ASEFCU places ATM in State Office Building in Juneau.</p>
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TRUE NORTH ARCHIVES
**First Charter meeting;
 November 24, 1948.**

BOARD OF DIRECTORS ANNUAL REPORT *(continued)*

Continued from page 4

the considerable investments in technology made over the past two years, ensuring we are fully utilizing the new tools and infrastructure for the benefit of the membership. We will also be paying considerable attention to our deposit products, focusing on rates, structure and fees. As an example, effective January 31st, 2018, the Credit Union has waived its bill pay fee for all members.

Additionally, the Board is very proud of True North's role in supporting financial education for youth in Alaska. True North is an active participant in the Get Real Reality Fair initiative that is gaining momentum throughout the state through the Financial Reality Foundation. These interactive events are for high school seniors, teaching them about the realities of managing a budget once they are out of school and have a job. True Crew staff have participated in Fairs across the state, and have hosted 4 Fairs in Juneau, impacting approximately 500 students. These initiatives are impactful both for the students and the volunteers who help make it happen.

Also, as a part of our dedication to serving our communities, during 2017 True North and our employees raised and provided funds for a number of Alaskan non-profits in the communities we serve including: Relay for Life; Big Brothers Big Sisters of Alaska; United Way; Alaska Business Week at the University of Alaska, Fairbanks; SE Alaska Food Bank; Glacier Swim Club; Alaska Legal Services and Bean's Cafe.

As we celebrate our 70th Anniversary, it is an appropriate time to look back at the many ways that the times we live in, and the Credit Union, have changed. Therefore, throughout this Annual Report you will find a timeline of how the Credit Union has grown and evolved over its life. It's been an exciting journey, but I believe what is truly exciting is what is ahead of us!

True North is a locally managed credit union that provides quality financial solutions for its Alaskan members. As elected volunteers, we guide the direction of the credit union to meet the needs of the membership. We encourage you as a member-owner to forward your comments or concerns to us. Your input is important for True North's continued success.

1998

1998: 50th Golden Anniversary is celebrated. CU is \$61 Million in Assets.

2003

2003: Names is changed to True North Federal Credit Union.
2004: New Branch and Admin office opened in Mendenhall Valley, Juneau.

2008

2008: Moved in to the new Fairbanks location. Launched Mortgage Lending Department.
2010: Launched Business Lending Department.

2013

2013: True North Mobile is introduced. Downtown Juneau branch moves in the IGA.
2014: Mobile Deposit is introduced

2018

2015: True North expands charter in Anchorage.
2016: Core and home banking services are converted.
2018: 70th Platinum Anniversary is celebrated. CU is \$142 Million in Assets.

MANAGEMENT TEAM



**LAUREN
MACVAY**
CEO/PRESIDENT



**PATTY
RAY**
CHIEF OPERATIONS
OFFICER



**TINAMARIE
KILE**
VP MEMBER EXPERIENCE
AND CONSUMER LENDING



**NICCHIA
LEAMER**
VP OF LENDING



**AARON
MAR**
IS MANAGER



**WILLIAM
BOOTHE**
BUSINESS LENDING
MANAGER



**JESSICA
NAUMCHEFF**
LOAN SERVICES
MANAGER



**ANDREA
BENNETT**
COMPLIANCE
MANAGER



**AMBER
SIMPSON**
ACCOUNTING
MANAGER



**DANIELLE
BEAR**
COLLECTIONS
MANAGER



**SARA
BOYER**
ANCHORAGE BRANCH
AND CONTACT
CENTER MANAGER

SUPERVISORY COMMITTEE ANNUAL REPORT

The Supervisory Committee is composed of committed volunteers with diverse backgrounds and skill sets. We are members of the Credit Union, appointed by the elected Board of Directors, with responsibilities focused on protecting the interests of True North's member owners. The Committee's tasks include:

- Review and respond to member complaints
- Arrange the annual Financial Statement audit
- Monitor the activities of the Board, Management and Staff by reviewing the National Credit Union Administration (NCUA) exams and other compliance related audits and tests, along with managements responses to them.
- Audit compliance with select Policies and Procedures and confirm the integrity of Internal Controls.

Through these activities, the Supervisory Committee assists in ensuring the financial safety and soundness of the Credit Union.

The Committee retained the independent auditing firm CliftonLarsonAllen, LLP to perform the annual Financial Statement Audit for year-ended December 31, 2016, and verification of member accounts. The result was an unqualified opinion, with no material weaknesses in financial reporting found. This indicates to True North's members that the financial statements presented by management are a true and correct statement of our financial position. True North also secured audits by external third parties for compliance with Bank Secrecy Act and SAFE Act regulations and

received good reports on each.

Additionally, your Supervisory Committee has audited numerous functions with the Credit Union over the past year, including but not limited to: Analyzing Credit Union operating expense accounts; Reviewing branch cash management and security controls; Verifying bank reconciliations; Reviewing executive accounts; and Reviewing Credit Union company credit card purchasing. Our findings reflect that True North is in compliance with the requirements set forth by policy and procedure, and we made recommendations for improvements as needed.

The Supervisory Committee would like to thank our trusted committee member of the past 10 years, and chair of the past 2 years, Rory Darling, for his service which was completed at the end of 2017. In addition, the Board of Directors appointed two new members during 2017 who look forward to serving all of you. It is a pleasure to us all to be apart of the committee and represent the members' interests in True North Federal Credit Union.

Buffy Pederson, *Supervisory Committee Chair*
Chris Letterman, *Supervisory Committee Secretary*
Eric Demoulin, *Supervisory Committee Member*
Colleen Campbell, *Supervisory Committee Member*
Kim Garner, *Board of Directors Chair and
Supervisory Committee Member*

COMPARATIVE INCOME STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2017 & 2016



Income	2017	2016
Interest on Loans	5,634,894	5,195,933
Interest on Investments	260,057	244,950
Fees and Other Incomes	2,692,542	2,697,702
Total Income	\$8,587,492	\$8,138,584
Expenses		
Dividends on Members' Deposits	249,662	245,286
Provisions for Loan Loss	573,100	216,431
Operating Expenses	6,670,205	6,809,551
Total Expenses	\$7,612,967	\$7,271,267
Income Before Extraordinary Items	\$974,525	\$867,317
Extraordinary Items Income/(Expense)	148,476	(841)
Net Income	\$1,123,001	\$866,476

COMPARATIVE BALANCE SHEETS

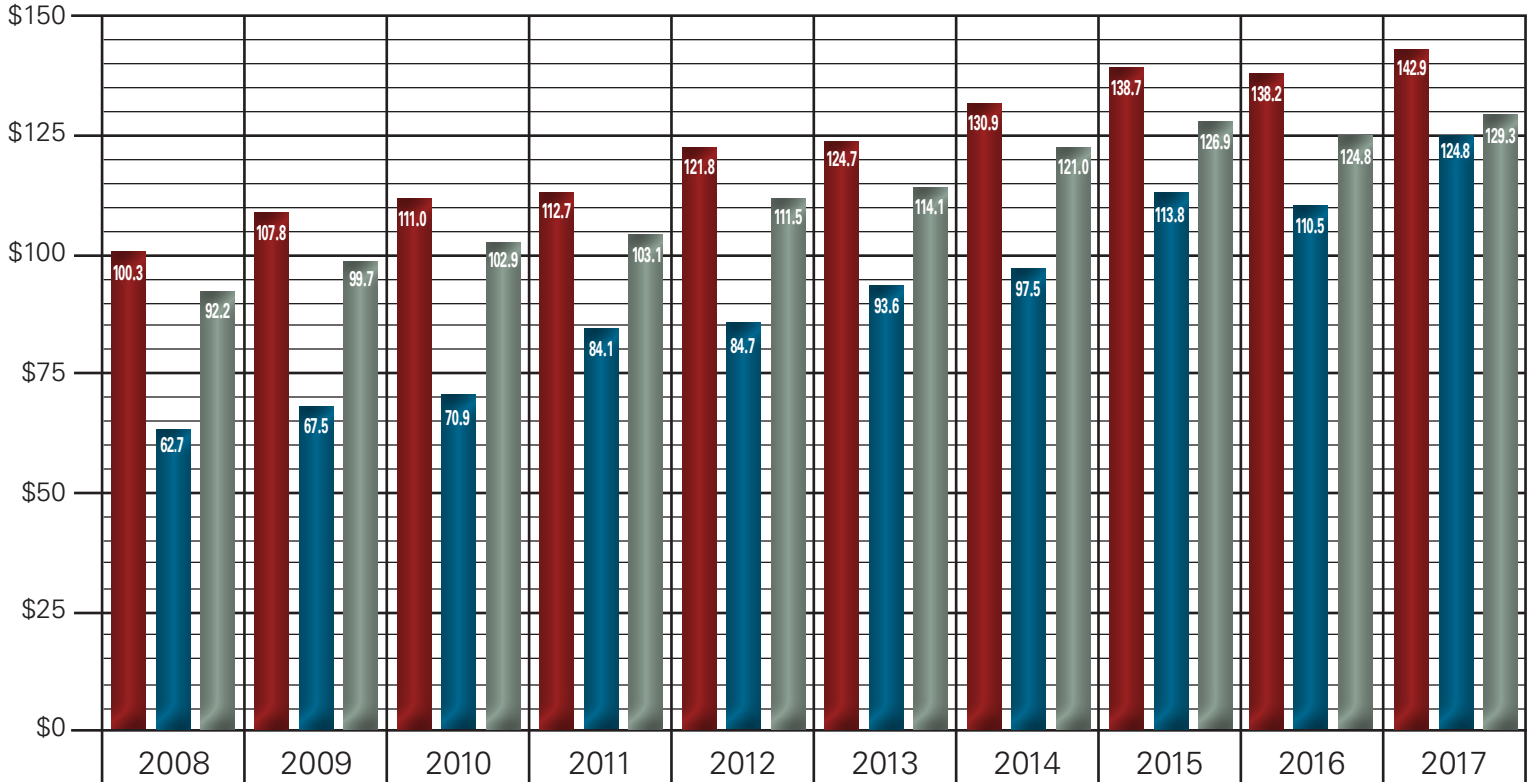
DECEMBER 31, 2017
AND 2016



Income	2017	2016
Loans to Members	124,819,230	110,528,002
Less: Reserve for Loan Loss	(557,237)	(430,963)
Net Loans	\$124,261,993	\$110,097,039
<hr/>		
Cash and Cash Equivalents	1,307,157	1,229,910
Investments/Fed Funds	8,715,490	18,132,805
Accrued Interest Receivable	426,312	285,100
Property and Equipment, net	5,969,248	6,188,525
NCUA Share Insurance Deposit	1,211,105	1,229,853
Prepaid Expenses and Other Assets	1,081,270	1,043,029
Total Assets	\$142,972,554	\$138,206,260
<hr/>		
Liabilities and Members' Equity		
Shares	41,642,955	39,149,816
Share Money Market	39,116,929	38,729,106
Share Certificates	12,510,023	10,806,824
IRA's	2,298,865	2,596,414
IRA Certificates	2,432,049	2,693,743
Share Drafts	31,331,377	31,443,932
Accrued Dividends	49,989	44,608
Other Liabilities	1,398,756	1,768,058
Total Liabilities	\$130,780,942	\$127,232,503
<hr/>		
Members' Equity		
Unrealized Gain/(Loss) on Securities	(71,280)	(166,133)
Regular Reserves	4,163,163	4,163,163
Undivided Earnings	8,099,729	6,976,728
Total Members' Equity	\$12,191,612	\$10,973,758
<hr/>		
Total Liabilities and Members' Equity	\$142,972,554	\$138,206,260

GROWTH STATISTICS

ASSETS IN MILLIONS LOANS IN MILLIONS DEPOSITS IN MILLIONS



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