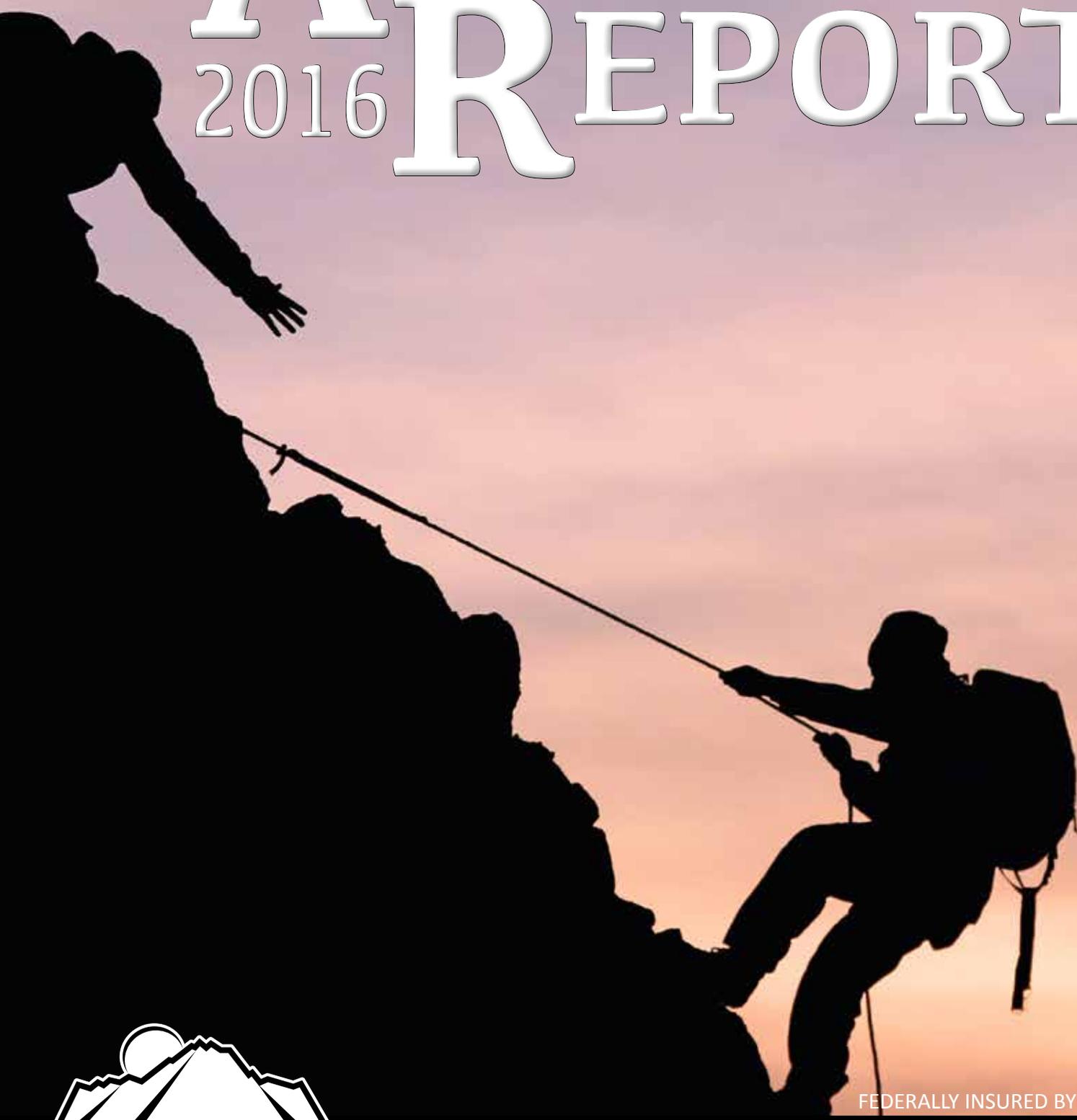


# ANNUAL 2016 REPORT



FEDERALLY INSURED BY NCUA

# PERSEVERANCE

As I reflect back on 2016 and look towards the future, a thought that comes to mind is our need for perseverance. In Alaska many people and businesses continue to experience uncertainty as the economy has entered into recession. At the same time, our members in Hawaii see an expanding economy with low unemployment, but continued upward pressure on the already high cost of living.

Whether you are experiencing job loss, illness or some other financial stress, your credit union is a source of help. We want to be your trusted partner and we offer many products and services designed to meet your needs. As a member-owned financial cooperative, our sole purpose is to assist you in achieving your goals.

I am pleased to report that, despite much uncertainty, your credit union continues to be strong and well prepared for the future through well diversified assets that are able to provide plenty of liquidity. In addition, our research indicates a high level of member loyalty and confidence with the credit union. As we execute our business plan for 2017 and beyond, we are focusing on three primary areas of need.

The first priority is the credit union's ongoing commitment to financial learning and knowledge. Our desire is to not only provide services, but to provide educational tools to assist you in making wise financial choices. Secondly, we are making a continued investment in expanding our virtual services. Our goal is to give you safe, secure and convenient access to your credit union anytime, anywhere. Lastly, we are planning to introduce several new and expanded lending services that will make it easier for you to borrow money from your credit union for worthwhile and productive purposes.

Many of us are thriving and able to provide well for the needs of our families. We should never take our blessings for granted and always give thanks. Furthermore, the wise use of our resources gives us an opportunity to lend a helping hand to others who are in need. This is the basic concept that credit unions are founded upon: "People Helping People."

Our need for perseverance is always with us whether we are in good times or struggling with hardship. I am convinced that for most of us, the keys to achieving our life goals are hard work, a willingness to take risks and never giving up. Finally, remember that it is in the times of difficulty and discouragement that we need each other the most.

We appreciate your membership and support. Your credit union is here to help!

Al Strawn  
CEO



# REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Supervisory Committee  
Matanuska Valley Federal Credit Union

The accompanying summary consolidated financial statements, which comprise the summary consolidated statements of financial condition and the related summary consolidated statements of income, are derived from the audited consolidated financial statements of Matanuska Valley Federal Credit Union and Subsidiary (the Credit Union) as of and for the years ended December 31, 2016 and 2015. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 27, 2017.

The summary consolidated financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Credit Union.

## **Management's Responsibility for the Summary Consolidated Financial Statements**

Management is responsible for the preparation of the summary consolidated financial statements.

## **Auditor's Responsibility**

Our responsibility is to express an opinion about whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary consolidated financial statements with the related information in the audited consolidated financial statements from which the summary consolidated financial statements have been derived.

## **Opinion**

In our opinion, the summary consolidated financial statements of the Credit Union as of and for the years ended December 31, 2016 and 2015 referred to above are consistent, in all material respects, with the audited consolidated financial statements from which they have been derived.

Moss Adams LLP  
Portland, Oregon  
April 27, 2017

# STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31,

2016

2015

## ASSETS

CASH AND CASH EQUIVALENTS	\$ 14,458,116	\$24,149,997
INVESTMENTS, AT FAIR VALUE	194,273,124	170,864,066
LOANS RECEIVABLE, NET OF ALLOWANCE FOR LOAN LOSS	250,183,215	256,127,553
PREMISES AND EQUIPMENT, NET	7,103,075	6,382,838
NCUA SHARE INSURANCE FUND	3,924,883	3,645,410
FORECLOSED & REPOSSESSED ASSETS	1,783,401	2,492,043
ALL OTHER ASSETS	4,057,928	3,274,440
<b>TOTAL ASSETS</b>	<b>\$475,783,742</b>	<b>\$466,936,347</b>

## LIABILITIES AND MEMBERS' EQUITY

MEMBERS' SHARES	\$422,027,848	\$413,992,648
OTHER LIABILITIES	4,160,329	4,810,927
RESERVES AND UNDIVIDED EARNINGS	52,299,810	48,619,860
UNREALIZED LOSS ON INVESTMENTS	(2,704,245)	(487,088)
<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$475,783,742</b>	<b>\$466,936,347</b>

# STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31,

2016

2015

## INTEREST INCOME

LOAN RECEIVABLE	\$12,866,628	\$12,800,682
INVESTMENTS	3,152,423	2,684,852
<b>TOTAL INTEREST INCOME</b>	<b>16,019,051</b>	<b>15,485,534</b>

## INTEREST EXPENSE

DIVIDENDS ON MEMBERS' SHARES	901,063	889,394
BORROWED FUNDS	58,363	14,527
<b>TOTAL INTEREST EXPENSE</b>	<b>959,426</b>	<b>903,921</b>

NET INTEREST INCOME 15,059,625 14,581,613

PROVISION FOR LOAN LOSSES 996,045 749,311

NET INTEREST INCOME AFTER  
PROVISION FOR LOAN LOSSES 14,063,580 13,832,302

## NON-INTEREST INCOME

OTHER NON-INTEREST INCOME	4,768,869	4,849,983
GAIN ON SALE OF INVESTMENTS	176,915	755,031
<b>TOTAL NON-INTEREST INCOME</b>	<b>4,945,784</b>	<b>5,605,014</b>

## NON-INTEREST EXPENSE

COMPENSATION AND BENEFITS	9,408,698	9,098,735
OFFICE OPERATIONS	2,539,011	2,393,815
OFFICE OCCUPANCY	1,062,660	1,043,281
PROFESSIONAL	804,667	698,343
OTHER OPERATING EXPENSES	627,760	1,131,786
EDUCATIONAL AND PROMOTIONAL	590,580	548,006
TRAVEL AND CONFERENCE	188,897	185,170
LOAN SERVICING	107,141	85,288
<b>TOTAL NON-INTEREST EXPENSE</b>	<b>15,329,414</b>	<b>15,184,424</b>

**NET INCOME \$3,679,950 \$4,252,892**

# SUPERVISORY COMMITTEE REPORT

The primary function of the Supervisory Committee is “to ensure ongoing reviews and audits to make sure that credit union records are maintained properly, honestly, and accurately; that policies established by law and by the Board of Directors are carried out faithfully; and that members’ assets are safeguarded and used according to the purposes of the Credit Union.”

The Supervisory Committee engaged Moss Adams, LLP to perform the annual financial statement audit as of years ended December 31, 2016, and 2015. The 2015 audit was conducted during March of 2016 and the final report was presented to the Board of Directors and Supervisory Committee on May 15, 2016. The final report included no exceptions that need to be addressed by the Supervisory Committee or by the Credit Union.

The 2016 audit was conducted during March 2017 and the final report was presented to the Board of Directors and Supervisory Committee on April 17, 2017. The final report included no exceptions that need to be addressed by the Supervisory Committee or by the Credit Union.

The National Credit Union Administration performed their last examination of the Credit Union as of June 30, 2016, and we expect them to perform their next examination during the first or second quarter of 2018. The report from the National Credit Union Administration confirmed that MVFCU continues to be a safe and sound credit union.

Throughout the past year, the Supervisory Committee met on a quarterly basis with Management and the Credit Union’s Internal Auditor to review credit union operations, compliance, and internal controls.

Your credit union continues to be a safe, secure, and well-run financial institution. You can place your trust and financial future in your locally owned and operated cooperative with confidence.

Matthew J. Reisterer  
Committee Chairman





The Financial Reality Foundation is a non-profit founded by MVFCU that currently offers young adults an opportunity to learn about managing personal finances in a realistic, true-to-life way by providing the Get REAL Financial Reality Fair program. At a Get REAL Financial Reality Fair, community members and credit union staff assist students in making decisions about everyday expenses and provide financial advice to help them keep a budget.

We are excited to share that since the inception of the Get REAL Financial Reality Fairs in November 2011, we have reached over 5,600 students from Alaska and in Hawaii. Nearly 3,000 of those students were reached during 2016 alone! The feedback we receive from the students shows that each Fair is invaluable. I'd like to share a letter we received from a student who recently attended a Get REAL Reality Fair.

*"I just wanted to thank you for holding the financial reality fair at our school. It was a very great experience and it definitely helped the students, especially seniors who need to learn how to budget.*

*By having real life situations, it really caused me to think that we need to learn how to maintain our money. When I receive money, I usually save it and use it when I really need to. But seeing that students are getting jobs just for pocket money is not really a good choice. I learned how hard my father works for my family just to be able to care for us, feed us and even give a home for us. I never realized how hard parents work for their family until the fair was held. Now that I know that raising children is very difficult, I thanked my father for taking care of us. By having this fair, it surprised me how much money is spent to pay off bills such as the electricity bill, mortgage, phone and Internet. And groceries add up a lot too because people go to the store a lot of times to buy things that are needed. The Financial Reality Fair really caused me to learn to conserve money and learn to budget. By spending wisely, we can save money and put it in our savings account and watch it grow.*

*I am very thankful to you for holding the fair at our school and it really made a difference not just in my life, but also the rest of the seniors that attended that fair. I hope that you will come again next year to let students know a reality they will face in the very near future."*

We are especially thankful for our volunteers who work so hard to make these events memorable to every student they reach. Thank you to all the schools in our membership area for allowing the foundation and our volunteers a venue to coach your students through this eye-opening experience.

For more information on the Financial Reality Foundation and the Get REAL Financial Reality Fairs, check out our web page at [www.financialreality.org](http://www.financialreality.org). If you would like to volunteer at a fair in your community, email me at [karina@financialreality.org](mailto:karina@financialreality.org).

Karina Wentworth  
Executive Director



## CONTACT US

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