

Financials - Income Statement

	2015	2014
OPERATING INCOME:		
Interest on loans	2,016,619	2,050,433
Income from investments	208,981	220,930
Miscellaneous income	502,349	505,710
Total Operating Income	2,727,949	\$2,777,072
OPERATING EXPENSES:		
Employee Compensation and Benefits	1,037,446	970,053
Travel, Conference and Education	19,320	15,963
Office Occupancy	64,219	63,597
Office Operations	271,391	246,674
Promotion and Marketing	81,781	83,839
Loan Servicing	272,425	246,134
Professional Services	261,084	249,716
Provision for Loan Loss	(14,299)	(39,500)
Member Insurance	0	(29,848)
NCUA Operating Fee	11,711	11,720
Miscellaneous	47,644	59,681
Total Operating Expenses	\$2,052,722	\$1,878,031
NON-OPERATING INCOME (EXPENSE) & GAINS (LOSSES):		
Gain (Loss) on Investments	0	0
Gain (Loss) on Sale of Assets	(1,634)	(28,980)
Other Income (Expense)	0	0
NCUSIF Stabilization Income	0	0
Total Non-Oper Inc (Exp) & Gains (Losses)	(\$1,634)	(\$28,980)
DIVIDENDS & INTEREST EXPENSES:		
Dividends on Shares and Certificates	287,168	324,083
Interest on Borrowed Money	9	469
Total Dividends & Interest Expense	\$287,177	\$324,553
Net Income (Loss)	\$386,415	\$545,509
Net Income (Loss) Excluding NCUSIF Premiums and Temporary Corporate CU Stabilization Fund Assessment	\$386,415	\$545,509

Julie A. Benson
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Secretary/Treasurer

Two Harbors Federal Credit Union

BOARD OF DIRECTORS

Gwendolyn J. Valentine, Board Chair
Greg G. Ruberg, Vice-Chair
Julie A. Benson, Secretary/Treasurer
Sandra E. Coolidge, Director
Spring D. Detlefsen, Director
Craig L. Ellquist, Director
Allen J. Peterson, Director

SUPERVISORY COMMITTEE

Diane Wells, Chair
Lu Anne Ronning, Member
Ralph E. Sikkink Jr., Member
Jody L. Ward, Member

EXECUTIVE MANAGEMENT

Randy D. Willert, President & CEO
Jerry L. Hostetter, Vice-President of Operations
Darla M. Abrahamson, Vice-President of Lending

STAFF

Susan M. Riley, Accounting Supervisor
Erin M. Mecklin, Bookkeeper
Ramona "Mona" E. Linden, Loan Officer
Timothy L. Fischer, Loan Officer
Kyle W. Olson, Loan and Loss Prevention Officer
Francine Johnson, Loan Servicing Supervisor
Jennifer M. Fransen, Loan Clerk
Teresa L. Kempffer, Member Service Representative
Deborah L. Carlson, Teller Supervisor
Christine P. Carter, Teller
Phyllis E. Holliday, Teller
Amanda R. Sathre, Teller
Sally A. Sveine, Teller

PRODUCTS & SERVICES

Loans

New/Used Vehicle | New/Used Boat/RV
Mortgage | Home Equity
THFCU Visa | Personal Loans

Deposits/Checking

Savings | Checking | Checking Plus
Money Market | Certificates | IRAs
ESAs | HSAs

Access

Home Banking Plus | Online Bill Payer | DPXPay
Mobile Banking | THFCU-Open

801 11th Street
Two Harbors, MN 55616
(218) 834.2266

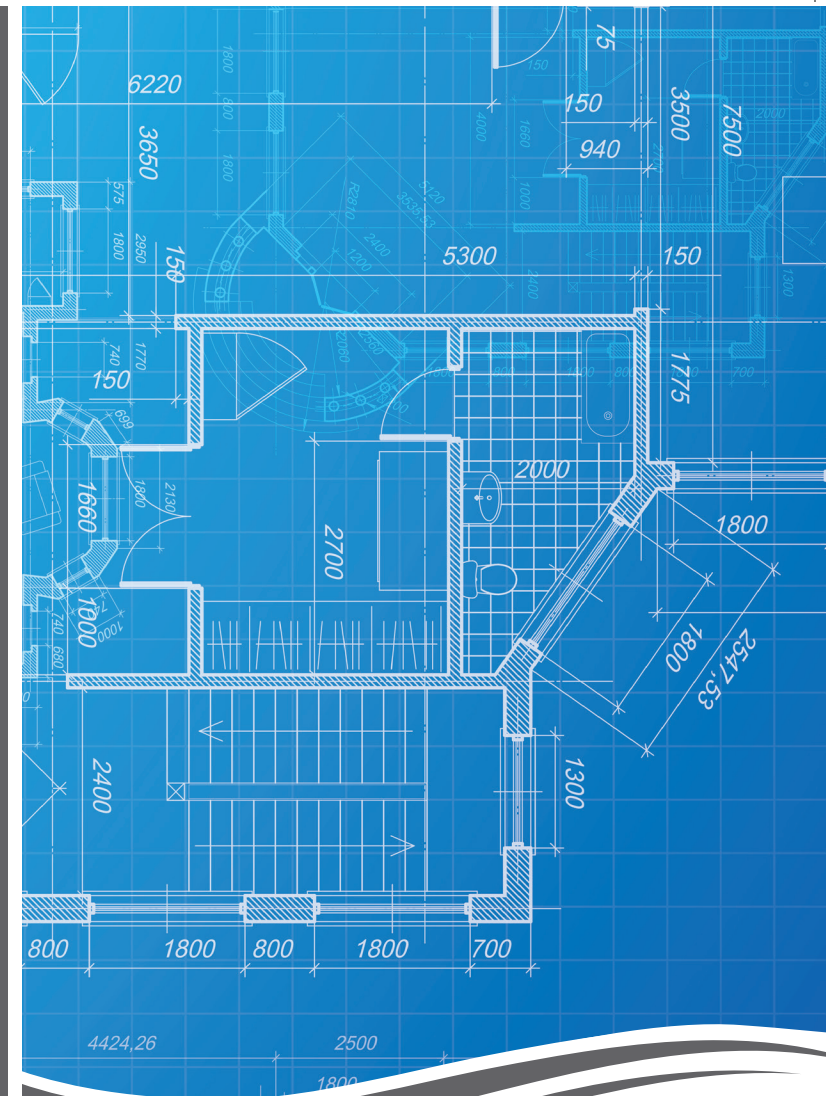
thfcu.org
mobile.thfcu.org

HOURS

8:30am-5:00pm
Monday through Friday



2015 THFCU ANNUAL REPORT



Blueprint

Two Harbors Federal
Credit Union

Building your future. Our 2015 annual report is aptly titled *Blueprint* as we reflect upon a year dominated by the planning and construction of our new facility. From a comprehensive site study in 2014 to our opening in February 2016, much of our recent focus has been on building a location to better serve our growing membership.

But our plans – our blueprint – are ultimately about so much more than bricks and mortar. The foundation of Two Harbors Federal Credit Union has always been our people. In 1948 we were founded as a service-focused, not-for-profit financial institution. Today our People Helping People philosophy is as strong as ever.

So while we celebrate our new location in these pages and throughout 2016, we do so with the knowledge that our future as a growing credit union is only possible through the continued participation of our members, our volunteers, and our employees. After all, they are our blueprint for success.



Randy Willert
President/CEO



Gwen Valentine
Board Chair



Diane Wells
Supervisory
Committee Chair

Report of the Chair
A plan, implemented

It’s rewarding to see a plan take shape. Over two years ago your board of directors and the Two Harbors management team collaborated on what was to become our new full service location on 11th Street. Many hours of careful planning were completed long before the first shovel hit dirt during our ceremonial groundbreaking last May.

Eventually the payoff comes. Plans are implemented. Dreams become reality.

As I reflected on a year of planning, I couldn’t help but draw parallels to the fact that this scenario plays out several times a day, every day, at your credit union. Members don’t just visit us for a loan or an investment. They come to have a dream fulfilled. A problem solved. A plan implemented.

Hundreds of members borrowed from or saved with THFCU in 2015 for their first home, or their first car. Many made improvements to their property or went on a trip they’ve been dreaming about for years. Even more realized their plans for higher education or a secure retirement.

Last year your credit union saw net increases of approximately \$2 million in both outstanding loan balances and share/certificate investments. Our credit union continues to experience strong, balanced growth year after year.

Growth prompts the need for change – the most visible being our new location – but it also demonstrates that we’re fulfilling our service mission by helping more people every year implement their plans and achieve their dreams.

Beyond the balance sheet your credit union perpetuates our mission through engagement in our community. In 2015 we continued to support numerous civic and charitable groups in the Two Harbors area. We initiated our own local scholarship program and last holiday season raised \$3,000 to support the Two Harbors Food Shelf and to buy winter clothing for students at Minnehaha Elementary School.

By all accounts, 2015 was a banner year for your credit union. So what’s next? How do we continue and improve upon our success? The answer is obvious - through careful planning, which can only begin by listening to our membership. When you provide us with feedback, you become an active participant in our planning process, and a direct beneficiary when those plans are ultimately implemented.

Respectfully submitted,

Gwen Valentine
Gwen J. Valentine
Chair

Report of the Supervisory Committee
Added oversight for our members

2015 was an exciting year for Two Harbors Federal Credit Union. From groundbreaking to doors opening, we witnessed the historical move from our 67-year old home on Second Avenue to a brand new facility off of Lake County Road 26. Whether you were witness to the construction on the THFCU blog or by simply driving by the new site, you noticed the many hands involved in ensuring that the project ran smoothly from beginning to end.

Your Supervisory Committee acts in a similar capacity. Like your board of directors, we are volunteer credit union members. Our role, however, is to provide oversight to the many facets of our operation through independent audits.

We use many resources to make that happen. Most comprehensive is our annual examination, conducted by the National Credit Union Administration (NCUA). The thorough review of our loan portfolio, our processes, and our management again proved positive.

In addition to this review by the federal government, THFCU retains the services of the auditing firm Clifton Larsen Allen (CLA). Their study of our compliance, security and procedures showed no concerns in the day-to-day operation of our business.

We conduct several internal audits as well. Regular reviews of cash limits, loan files and financial practices are conducted by and reported to your supervisory committee and your board of directors. Last but not least, member feedback and follow-up is routinely reviewed by our committee.

Like the inspector on a construction project, your supervisory committee is thorough in our assessment. When the job is done with careful planning and attention to detail, the inspector has little but praise to report. I am very pleased to report that THFCU leadership has a strong commitment to the safety and security of your credit union accounts, and that is apparent by their consistently positive audits and examinations.

Respectfully submitted,

Diane M. Wells
Diane Wells
Chair



Financials - Balance Sheet

ASSETS	12/31/15	12/31/14
LOANS AND CASH:		
Loans, Current in Payments	45,021,308	43,398,116
Loans, Delinquent 2 Months & More	69,245	95,503
Sub-total	45,090,553	43,493,619
Less: Allowance for Loan and Lease Loss	(89,207)	(124,200)
Net Loans Outstanding	45,001,346	43,369,419
Cash	391,164	760,753
Total Loans and Cash	45,392,510	44,130,171
INVESTMENTS:		
Federal Agency Securities	0	0
Other Financial Institutions	17,379,607	19,067,278
NCUSIF Capital Deposit	517,056	507,087
Total Investments	17,896,663	19,574,365
OTHER ASSETS:		
Land and Buildings (net of depreciation)	3,045,176	50,450
Other Fixed Assets (net of depreciation)	100,921	109,500
Prepaid Expenses	90,564	51,394
Other Assets	158,320	137,100
TOTAL ASSETS	\$66,684,153	\$64,052,980
LIABILITIES AND EQUITY		
LIABILITIES:		
Accounts Payable	36,857	41,545
Notes Payable	0	0
Dividends Payable	30,289	33,533
Other Liabilities	173,686	151,418
Total Liabilities	240,832	226,496
EQUITY:		
Shares and Share Certificates	55,508,581	53,278,159
Regular Reserves	1,266,578	1,266,578
Undivided Earnings	9,668,161	9,281,747
Total Equity	66,443,321	63,826,484
TOTAL LIABILITIES AND EQUITY	\$66,684,153	\$64,052,980

Julie A. Benson
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Secretary/Treasurer