

2012  
Annual Report  
for

The Credit Union with HEART!



# Chairman's Report

Dear Shareholder,

Welcome to the 56th Annual Membership Meeting for Heart of Louisiana Credit Union. On behalf of the Board of Directors, committee members and staff I would like to say that we appreciate you being here to celebrate the success of our credit union this evening.

2012 brought forth many new plans for Heart of Louisiana Credit Union. The atmosphere of change brings excitement to your Edgewood location as renovation design plans were finalized and will soon begin to take shape. A couple remodeling decisions that will make your visits more convenient at the Edgewood location include closed-in offices for all Family Financial Officers to ensure your privacy inside the branch and added room and parking outside of the branch.

Our highest level of excitement for 2012 came in December when we were able to return over \$200,000 in bonus dividends to nearly 8,500 members! This was a history-making event for Heart of Louisiana Credit Union because we have never had the ability and resources to give back to you, the members, in this fashion before. Knowing the Credit Union was able to give bonus dividends in 2012 speaks volumes to the success of our credit union. This level of success is possible based on the support of you, the membership. Thank you for making Heart of Louisiana Credit Union as strong as it is.

The Board of Directors appreciates the trust you have placed in us to help guide your credit union as a smarter financial choice for our community. As always, we welcome your ideas and suggestions so that we may continually improve the quality of our products and services.

**Michael Taylor**  
**Chairman of the Board**  
**Heart of Louisiana Credit Union**

# Your Board of Directors



**Michael B Taylor**  
**Chairman**  
*Louisiana Land Trust,*  
*Executive Director*

According to the Federal Credit Union Act, "The management of a Federal Credit Union shall be by a board of directors ... (that) shall consist of an odd number of directors, at least five in number, to be elected annually by and from the members as the bylaws provide." It further states, "The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the Federal Credit Union."

We, as member-directors, appreciate the opportunity you have given us to represent and serve you in this capacity. Our purpose is to assure that Heart of Louisiana Credit Union meets the needs of its membership by ensuring its financial strength and stability, and by continuously evaluating its products, services, terms and pricing to maximize member benefits while minimizing costs.



**Wayne E Staton**  
**Vice Chairman**  
*CLECO Corp*  
*Retired*



**Nellane E Davis**  
**Secretary/ Treasurer**  
*Nellanne's Hallmark*  
*Retired*



**Ronnie L Venson**  
**Director**  
*USDA/ NRCS*  
*Retired*



**Kevin Boone**  
**Director**  
*USDA*  
*Renewable Energy*  
*Coordinator*



**Mary Jane Close**  
**Director**  
*USDA/ US Forest*  
*Service , Retired*



**Robert A Pulaski**  
**Director**  
*CLECO Corp*  
*Internal Audit*  
*Manager*

# Supervisory Committee

## *Chairman's Report*

The Supervisory Committee is responsible for making certain that members' funds and interests are protected, as well as the interests of the credit union's officials. The Board of Directors appoints the committee from among the members of the credit union. Federal credit union regulations require the Supervisory Committee to:

- Complete annual audits to determine that the accounting records and reports accurately reflect operations and actual results;
- Periodically verify that members' accounts are valid and correct;
- Regularly examine accounting records and transactions, loan documentation, and review the actions of the Board of Directors; and
- Determine whether management and staff and other volunteer committees are carrying out the plans, policies, and procedures for which they are responsible.

To assist in completing the audit for the year ended December 31, 2012, the Supervisory Committee engaged the services of the independent auditing firm, Griffin & Company, LLC. The Supervisory Committee directed our auditors to perform an opinion audit, which requires that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In their opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart of Louisiana Credit Union as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Conclusions reached in the 2011 audit corresponded with those of recent years. Furthermore, the credit union's 2011 examination by its federal regulatory agency, the National Credit Union Administration, was equally gratifying in its findings and assessment of its operations and condition. We appreciate the opportunity to serve as volunteers for you, our members, and welcome your comments and suggestions for improving the services of the Supervisory committee.

# Meet Your Supervisory Committee



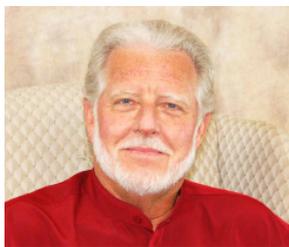
**Danny H Magee Sr**  
**Chairman**  
*State Rural Utilities  
Service Program  
Director, USDA Rural  
Development (Retired)*

Unlike credit union directors, supervisory committee members are not elected by the credit union's general membership. Rather, they are selected by the board of directors in compliance with the Federal Credit Union Act: "The supervisory committee shall be appointed by the board of directors and shall consist of not less than three members nor more than five members."

The supervisory committee is to "make or cause to be made an annual audit" and to report its findings to the board of directors and the members at the next annual meeting of the credit union. We take our responsibilities seriously, we are confident in our findings of the 2012 annual audit, and we are gratified to contribute to our credit union in this capacity.



**Robert A Pulaski**  
**Member**  
*CLECO Corp  
Internal Audit Manager*



**Glen D Adams**  
**Member**  
*Production Planner  
Proctor & Gamble  
(retired)*



**Jared Hicks**  
**Member**  
*USDA  
Program Director*

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## Nominating Committee

**Debbie Redfearn, Chairman**  
**Sherry Sibley**  
**Brenda Hinkston**  
**Debbie Collins**  
**Ann Brewer**

# Statement of Financial Condition

December 31, 2012 and 2011

## ASSETS

|  | UNAUDITED<br>2012    | UNAUDITED<br>2011    |
|--|----------------------|----------------------|
| Cash and cash equivalents                          | \$ 9,350,527         | \$ 13,915,056        |
| Investment securities                              |                      |                      |
| Certificates of Deposit                            | \$ 19,369,000        | \$ 11,160,000        |
| Securities - held-to-maturity                      | 198,000              | 398,000              |
| Other  | 50,729               | 50,729               |
| Loans receivable, net of allowance for loan losses | 51,134,004           | 51,803,959           |
| Accrued interest receivable                        | 238,290              | 237,910              |
| Property and equipment, net                        | 2,809,762            | 2,698,317            |
| Foreclosed property                                | 60,399               | 53,045               |
| NCUSIF deposit                                     | 745,703              | 705,663              |
| Prepaid expenses and other assets                  | 694,973              | 615,297              |
|  | <u>\$ 84,651,187</u> | <u>\$ 81,634,976</u> |

## LIABILITIES AND MEMBER'S EQUITY

|  | UNAUDITED<br>2012   | UNAUDITED<br>2011    |
|--|---------------------|----------------------|
| Liabilities:                                       |                     |                      |
| Members' share and savings accounts                | \$ 73,471,635       | \$ 71,188,576        |
| Accounts payable and other liabilities             | 282,394             | 259,655              |
| Total liabilities                                  | 73,754,029          | 71,448,231           |
| Members' equity, substantially restricted:         |                     |                      |
| Appropriated regular reserve                       | \$ 2,838,937        | \$ 2,838,937         |
| Unappropriated earnings                            | 8,058,221           | 7,347,808            |
| Total members' equity,<br>substantially restricted | 10,897,158          | 10,186,745           |
|  | <u>\$ 4,651,187</u> | <u>\$ 81,634,976</u> |

# Statement of Operations

For the Years Ended December 31, 2012 and 2011

## ASSETS

|  | UNAUDITED<br>2012 | UNAUDITED<br>2011   |
|--|-------------------|---------------------|
| Interest income:                                       |                   |                     |
| Loans receivable                                       | \$ 3,540,037      | \$ 3,738,931        |
| Cash and investments                                   | 165,147           | 187,430             |
| Total interest income                                  | <u>3,705,184</u>  | <u>3,926,361</u>    |
| Interest expense:                                      |                   |                     |
| Members' share and savings accounts                    | 502,142           | 384,394             |
| Borrowed funds   | ---               | 140                 |
| Total interest expense                                 | <u>502,142</u>    | <u>348,534</u>      |
| Net interest income                                    | 3,203,042         | 3,577,827           |
| Provision for loan losses                              | <u>288,660</u>    | <u>178,287</u>      |
| Net interest income after<br>provision for loan losses | <u>2,914,382</u>  | <u>3,399,540</u>    |
| Non-interest income:                                   |                   |                     |
| Fees   | 1,747,255         | 1,775,367           |
| Gain/ (loss) on disposal of foreclosed property        | 14,498            | (9,898)             |
| Other  | 132,748           | 150,343             |
| Total non-interest income                              | <u>1,894,501</u>  | <u>1,915,812</u>    |
| Non-interest expense:                                  |                   |                     |
| General and administrative:                            |                   |                     |
| Advertising  | 98,078            | 95,646              |
| Compensation and benefits                              | 1,823,371         | 1,854,223           |
| Depreciation and amortization                          | 264,433           | 248,747             |
| Legal and professional                                 | 604,084           | 549,880             |
| Loan and share insurance                               | 66,065            | 50,836              |
| Occupancy  | 182,479           | 186,401             |
| Office operations                                      | 718,494           | 797,526             |
| Service charges  | 273,045           | 285,297             |
| Travel and conferences                                 | 68,421            | 42,780              |
| Total non-interest expense                             | <u>4,098,470</u>  | <u>4,111,336</u>    |
| Net income before extraordinary<br>item                | 710,413           | 1,204,016           |
| Extraordinary items:                                   |                   |                     |
| Depletion of Membership & Paid In Capital<br>Accounts  | 0                 | 0                   |
| Net income (loss)                                      | <u>\$ 710,413</u> | <u>\$ 1,204,016</u> |

Thank You  
for being

Part of the HEART!