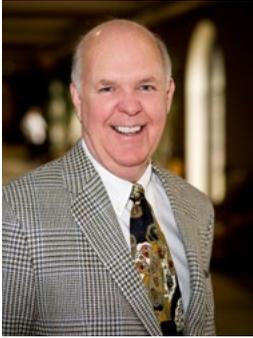


# 2016 Annual Report

*“It’s Where I Bank”*



## Directors' Report



TopLine Federal Credit Union is proud to celebrate being a member-owned financial services cooperative for over 82 years. TopLine, just as credit unions in general, has strong competitive advantages over banks and other types of financial institutions. We are a banking institution that's safe, local and, most importantly, owned and democratically controlled by you, our member-owners.

As a member-owned cooperative, our profits are returned to you, which means TopLine can offer competitive savings and loan rates, fewer and lower fees and a dedication to the highest levels of personal service.

Truly, our credit union is dedicated to looking out for your best interest by delivering the value you deserve and depend on each and every day, and is highly committed to giving back to the communities where our members live and work.

I mentioned the term; "Member-Owned." This is what Thomas Friedman, in his book, *"Thanks for Being Late,"* has to say about ownership: *"When you are an owner, you care, you pay attention, you build stewardship and you think about the future. If you build a house for a quick flip, how strong will you build the foundation? Have you ever washed a rented car? Ownership focuses on long term thinking over short term thinking and on strategy over tactics."*

So, all of you are owners of TopLine. I'm an owner, our Board and Supervisory Committee members are owners, our 100 employees are owners; in all we have over 39,000 owners of the credit union, and we have a tremendous advantage over other banks and financial institutions because of this. We care, we pay attention, we build stewardship and we plan for the future. Thanks for being an owner.

I'm honored to be a part of such a great organization and representing the voice of all member-owners as Chair of your Board of Directors. Your Board consists of nine individuals, all of whom are volunteers, elected by the general membership of the credit union, each serving a three-year term. Convening on a monthly basis, TopLine officials are committed to providing leadership and guidance to the credit union. Also, each year your TopLine officials, along with TopLine management, participate in a formal strategic planning session to determine the direction and future of your credit union.

We also are strong believers in giving back to the local communities we serve through food, school supply, holiday toy drives and more that benefit partners such as the Children's Miracle Network & Gillette Children's Healthcare, the Community Emergency Assistance Program and Keystone Community Services.

This past year, TopLine created a short [video](#) showcasing some of the good deeds and charitable work we did in our local communities. TopLine, along with 24 other credit unions across the state, also participated in a collaborative credit union event called *"Plus It Forward"* as a way to scatter random acts kindness and to inspire others to give-back. And to top it off, Governor Dayton proclaimed Monday October 10, 2016 as PLUS IT FORWARD DAY, helping to spread the word about credit unions collaborating to help make a positive impact in our communities across Minnesota.

We want to thank both TopLine members and employees for their generous donations over this past year. We were able to collect over 500 pounds of food, over 250 personal care items, nearly 50 bikes, over 1,100 school supplies and nearly 600 toys, along with gift cards and cash totaling over \$6,200 to benefit our charitable partners and help families in-need in our communities. Not to mention TopLine taught nearly 1,250 youth the basics of personal finance and hosted over 250 adults at learning sessions last year.

I'm also proud to share with you that your credit union's employees were recognized at the state level for their dedication to enhancing the financial lives of our members and communities. In 2016 TopLine took home state honors for the "*Louise Herring Philosophy in Action Member Service Award.*" The award, sponsored by the Minnesota Credit Union Network and the Credit Union National Association, recognizes credit unions that demonstrate the credit union philosophy, and who create services that benefit their members. TopLine's statewide award achievement was for the credit union's partnership with a local non-profit credit counseling agency, LSS Financial Counseling, that provides access to certified credit counselors and financial education services to help people better control their personal finances. Since these competitions began in 2005, TopLine has earned 22 such awards. The most recent are proudly displayed in all five branch lobbies.

On behalf of your entire Board of Directors I want to thank you for your business, your always candid input and the confidence and trust that you put in us and in your credit union. Your TopLine Board is always here for you. Your comments are encouraged and welcomed, and we look forward to continuing to be a part of your extended family, as your trusted financial services experts.

**Jim Kaster**

Chair

Board of Directors

## President's Report



TopLine Federal Credit Union is dedicated to building life-long relationships with you, our member-owners, and helping you reach your personal financial goals. We are proud to be owned by you and passionate about providing you exceptional service and quality financial products along with making a positive impact in the communities we serve.

2016 was another successful year for our credit union. Our membership grew to more than 39,000 members and our assets grew by \$15 million, bringing our total assets to nearly \$390 million. Our loan growth topped out at more than \$30 million, our largest annual increase since our beginning in 1935, with First Mortgage achieving a record \$79 million in new loans funded.

Net earnings were strong for the year at \$1,826,889. Some significant influences to earnings were mortgage loan revenue, non-interest income and holding down operating expenses. All contributed to a strong capital ratio of 9.99% which is 43% higher than the level considered “well capitalized” by our federal regulator, the National Credit Union Administration, and is a strong indicator of our financial strength.

To better align with today's market environment and to better describe how we envision helping our members financially succeed, I would like to introduce our new Mission and Vision statements that were developed during this year's strategic planning sessions:

- *Mission: Dedicated to building life-long relationships to help you reach and manage your personal financial goals.*
- *Vision: To be a trusted member-owned financial services cooperative and your partner for life.*

These statements provide the guiding principles for our family of employees each and every day.

TopLine officials and management annually conduct formal strategic planning sessions to determine the direction of your credit union. During this past year's strategic planning sessions three areas of focus were established; member focus, growth and profitability. Although TopLine is a not-for-profit organization, we still need to earn a profit in order to continue offering you exceptional service, products and rates.

Our key strategic priority for 2017-2019 is to invest in our technology in order to continue providing you with a convenient and secure way to bank with the new digital channels available in this rapidly changing financial services industry. This initiative includes investment in our core infrastructure as well as optimization of our remote access channels and social media platforms to better engage with you and our communities. Our 2017 plan also includes continued focus on expanding our product and service offerings including business lending and commercial services, enhanced credit card features, and insurance and investment advisory services.

Additionally, we will continue to increase the protection of your accounts. Cybersecurity, data breaches, malware and hacking present huge challenges for all industries, but financial institutions are particularly affected. As TopLine continues to increase our protection measures, there are also collaborative efforts occurring in the industry with the formation of the National Credit Union Information Sharing and Analysis Organization. This organization's goal is to proactively help credit unions with intelligence, operational guidance and information sharing to minimize the impact of fraudulent activities.

But we define our success by more than just the numbers.

In its second year, TopLine Credit Union Foundation, a non-profit 501(c)(3), hosted its first-ever fundraising event, netting over \$11,500. The foundation, supported by TopLine's long tradition of helping our communities, was instrumental in hosting several outreach activities, financial literacy initiatives and awarded 16 higher education scholarships.

Looking forward, I am excited to announce a collaborative statewide effort designed to educate consumers about the benefits of using credit unions. Credit Unions have a powerful and positive story to share with all Minnesota consumers. We just need to do a better job of telling our story and bringing awareness to the many benefits of belonging to a credit union. Since credit unions are financial cooperatives it didn't take much convincing to combine our resources so we can market the credit union brand across the great state of Minnesota. This initiative will be led by our state trade organization, the Minnesota Credit Union Network. Look for our message across multiple media channels in 2017.

TopLine has been in business for 82 years, and we are here because of each of you, our member-owners! We will continue to deliver on our tradition of superior service and quality products for all of your financial needs, and strive to be your financial cooperative partner in all stages of your financial journey. We have an exceptional team at TopLine that delivers on the credit union *Purpose* each and every day, has the *Passion* to make a make a positive difference in our members' lives and our communities, and the *Pride* to work hard to help you reach your financial goals.

We hope you share your positive TopLine experiences with your family, friends and neighbors – your referrals are the greatest compliment we could ever receive.

Thank you for being part of the TopLine family and putting your trust in us. Speaking on behalf of the entire TopLine team, thank you for your business and your support of your credit union; we look forward to continuing to serve your family's financial needs.

**Tom Smith**  
President & CEO

## Supervisory Committee Report



TopLine Federal Credit Union's Supervisory Committee performed its primary duties by supervising and reviewing the activities of the internal auditor and directing the external audit firm responsible for the 2016 Annual Opinion Audit.

The Committee is also responsible for ensuring policies and procedures exist to adequately protect credit union resources, for providing reasonable assurance that governing regulations and policies and procedures are properly followed, and ensuring that the financial statements reflect the credit union's results of operation.

On behalf of the Committee, I am pleased to report that the results of these activities and audits performed during 2016 confirm that TopLine is a sound and well managed credit union that conducts its operations in accordance with U.S. Generally Accepted Accounting Principles.

The Committee wishes to extend our thanks to TopLine's staff for their assistance and professionalism in helping us perform our duties. I would like to express my personal gratitude to fellow Committee members Bill Akuma, Kelly Breit, David Ensteness and Mike Rogosheske for their volunteer commitment to TopLine throughout 2016. The Committee would also like to recognize and thank our staff contact, Vice President of Internal Audit, Tom Murphy, for his invaluable experience.

**Warren Hight**

Chair

Supervisory Committee

## Statements of Financial Condition

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash & Cash Equivalents	\$ 17,638,114	\$ 21,661,207
Investment Portfolio	103,239,428	115,552,173
Net Loans	240,779,550	210,129,205
Property & Equipment	7,185,580	7,625,531
Other Assets	20,364,182	19,484,322
<b>Total Assets</b>	<b>\$ 389,206,854</b>	<b>\$ 374,452,438</b>
<b>Liabilities &amp; Equity</b>		
Savings Accounts	\$ 345,129,097	\$ 331,365,495
Accrued & Other Liabilities	8,057,003	7,777,590
<b>Total Liabilities</b>	<b>353,186,100</b>	<b>339,143,085</b>
Members' Equity	36,020,754	35,309,353
<b>Total Liabilities &amp; Equity</b>	<b>\$ 389,206,854</b>	<b>\$ 374,452,438</b>
<b>Statement of Income</b>		
Interest Income	\$ 11,209,420	\$ 10,731,980
Interest Expense	(935,862)	(994,687)
<b>Net Interest Income</b>	<b>10,273,558</b>	<b>9,737,293</b>
Provision for Loan & Lease Loss	(450,483)	(786,050)
Other Revenue	6,804,059	6,954,982
Operating Expenses	(14,800,245)	(14,180,440)
<b>Net Income (Loss)</b>	<b>\$ 1,826,889</b>	<b>\$ 1,725,785</b>

## Board of Directors

Jim Kaster  
Chair

Paul Jacobsen  
Vice Chair

Joan Molenaar  
Treasurer

Bill Hnath  
Secretary

Pam Stegora Axberg

Sherol Christian

Warren Hight

John Jacobs

Thomas Kleinschmit

## Supervisory Committee

Warren Hight  
Chair

Bill Akuma

Kelly Breit

David Ensteness

Mike Rogosheske

## Senior Management Staff

Tom Smith  
President & CEO

Christine Maros  
Senior Vice President  
Member Service &  
Operations

Mick Olson  
Senior Vice President  
Finance &  
Chief Financial Officer

Patrick Rushenberg  
Senior Vice President  
Lending &  
Chief Lending Officer

Vicki Erickson  
Vice President  
Marketing & Communications

Carla Hansen  
Vice President &  
Chief Compliance Officer

Tom Murphy  
Vice President  
Internal Audit

Alicia Barber  
Assistant Vice President  
Human Resources

Colleen Jakes  
Assistant Vice President  
Information Services

Jaime Miller  
Assistant Vice President  
Branch Operations

## Branch Locations

Bloomington  
5221 Viking Drive  
Bloomington, MN 55435

Brooklyn Park  
9790 Schreiber Terrace North  
Brooklyn Park, MN 55445

Como Park  
976 Lexington Parkway  
St. Paul, MN 55103

Maple Grove & Corporate Office  
9353 Jefferson Highway  
Maple Grove, MN 55369

Plymouth  
4190 Vinewood Lane North  
Plymouth, MN 55442

763-391-9494  
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www.TopLinecu.com

*"It's Where I Bank"*

**TopLine**<sup>®</sup>

Federal Credit Union  
SINCE 1935