



# Annual & Community Report 2023



[y12fcu.org](http://y12fcu.org)







“In the face of challenging economic conditions, I’m delighted to report that 2023 proved to be another year of resilience and achievement for Y-12 FCU.”

## Board Chair’s Report

As we embark on a new year, I am proud to share the remarkable journey of solid growth and success we experienced in 2023.

In the face of challenging economic conditions, I’m delighted to report that 2023 proved to be another year of resilience and achievement for Y-12 FCU. We not only weathered the storm but excelled, achieving solid growth and maintaining our position in the top tier of credit unions for financial performance. For detailed insights into our financial success, I encourage you to view the Treasurer’s Report.

Our commitment to excellence led to strategic initiatives aimed at enhancing your member experience. The opening of the new Middlebrook Pike Branch provided a more convenient location for existing and potential members. Additionally, a robust digital banking conversion was completed, promising a more personalized and seamless digital experience for each member.

In line with our mission to make membership more accessible, we introduced a new online account opening platform. This initiative, coupled with the expanded membership opportunities provided through the Y-12 FCU Gives Foundation, aims to simplify the journey to becoming a Y-12 FCU member.

On behalf of the Board of Directors and the entire Y-12 FCU family, I express our sincere gratitude for entrusting us with your financial well-being in 2023. It has been an honor to serve as your Board Chair.

I extend heartfelt recognition to my fellow board members, who selflessly volunteer countless hours to contribute to the ongoing success and excellence of our Credit Union. Their commitment is truly commendable. Equally deserving of acknowledgment is our dedicated team of employees, working diligently every day to serve our members and uphold the core values and purpose statement that define our institution.

The groundwork laid in 2023 positions us for continued success and growth. We are filled with anticipation and excitement for the opportunities that lie ahead in 2024.

*Ronald A. Honeycutt*

**Ronald A. Honeycutt**  
Chair, Board of Directors

## Board of Directors

Your board and committee members are volunteers who generously give their time and talent to lead our credit union efforts. In addition to monthly meetings, they spend countless hours on credit union business and activities on behalf of our members. This volunteer spirit is the heart of the credit union movement.



**Ronald A. Honeycutt**  
Chair



**David Rupert**  
Vice Chair



**Lloyd Jollay**  
Secretary



**Sam Pelchar**  
Financial Officer



**Tom Fisher**  
Director



**Hurtis Hodges**  
Director



**David Liles**  
Director

### Asset Liability Management Committee

**Dustin Millaway**, Chair  
**Sam Pelchar**, Member  
**Mark Ziegler**, Member  
**Courtland Crouchet**, Member  
**Jim Wood**, Member

### Credit Union Services of East Tennessee, LLC\*

**Lloyd Jollay**, Chair  
**Tom Fisher**, Treasurer  
**Gary Smith**, Secretary  
**Jeff Jackson**, Member  
**Mark Ziegler**, Member

### Supervisory Committee

**Kevin Cress**, Chair  
**Chris Dean**, Secretary  
**Hilary Shreter**, Member  
**Jessica Steed**, Member

### Executive Team

**Mark Ziegler**, President/Chief Executive Officer  
**Dustin Millaway**, SVP/Chief Financial and Strategy Officer  
**Todd Richardson**, SVP/Chief Technology Officer  
**Courtland Crouchet**, SVP/Chief Experience Officer  
**Jim Wood**, SVP/Chief Lending Officer  
**Lynn Boston**, SVP/Chief People Officer

\*Wholly owned subsidiary



## Milestones

### New Middlebrook Pike Branch

In January, we opened our 16th branch on Middlebrook Pike. We celebrated the grand opening with five days of festivities, including food, giveaways, prizes, and an exclusive appearance by University of Tennessee football players. The celebration not only marked the expansion of our branch network but also solidified our commitment to providing a vibrant and community-oriented banking experience.



### Y-Fi @ Work

As of January, we partnered with local businesses to introduce Y-Fi @ Work, an all-encompassing workplace financial wellness program. This comprehensive initiative is customized to address the unique needs of each partnering organization. The program includes exclusive product discounts, access to our comprehensive financial literacy platform, complimentary financial counseling services, and on-site financial seminars. Our commitment to fostering financial well-being is now seamlessly integrated into the workplace, ensuring tailored support for both employers and employees.

### New Pathway to Membership

Starting in February, individuals who may not have met our conventional membership eligibility criteria gained an alternative route to qualify by joining the Y-12 FCU Gives Foundation. We cover the first year's \$5 membership fee, with the proceeds directly contributing to the Foundation's mission of addressing child hunger.

### Online Account Opening

In May, we introduced a highly anticipated upgrade to our online account opening process. This revamped solution prioritizes user-friendliness and efficiency, enabling both current and prospective members to seamlessly open a new account in less than five minutes.

### Intern Program

June marked the commencement of our revitalized internship program, welcoming four bright summer interns into our organization. This eight-week initiative bridges the gap between classroom learning and real-world business experience, providing students a valuable opportunity to apply their academic knowledge in a practical setting. The success of our internship program is evident as two of our interns have seamlessly transitioned into part-time roles at the Credit Union.



### Digital Banking Upgrade

In August, we launched our revamped Digital Banking platform, introducing a significant upgrade in member experience. This enhanced product offers a more robust and personalized journey, complete with innovative features and tools designed to cater to our members' evolving digital needs. The successful execution of this upgrade was made possible through meticulous planning and a collaborative, all-hands-on-deck approach to support. In the initial two weeks post-upgrade, over 70% of enrolled members seamlessly accessed the new platform.

## Supervisory Committee Report

As required by the Federal Credit Union Act, the Supervisory Committee is responsible for the review of financial statements and the internal controls to validate that the Credit Union is properly administering the plans, policies, and procedures for which it is accountable.

The Supervisory Committee is composed of volunteers who are not employees of the Credit Union and whose members are appointed annually by the Board of Directors. The Supervisory Committee oversees an internal audit department and utilizes a certified public accounting firm and other outsourced auditing support to assist in discharging the committee's responsibilities. These entities operate independently of the rest of the Credit Union to ensure appropriate oversight. The committee and its representatives work with management to continually improve the operation of the Credit Union.

The Supervisory Committee engaged the certified public accounting firm of Elliott Davis, LLC to perform the independent annual audit of financial statements that is required by regulation. The auditor's report determined that the consolidated financial statements present fairly, in all material respects, the financial position of the Credit Union in accordance with generally accepted accounting principles.

Based on the annual audit, regulatory reviews, and internal and outsourced controls audits, it is the opinion of the Supervisory Committee that your Credit Union's internal controls are effective and adequately protect the Credit Union, its members, management, and employees. The Supervisory Committee assures the members of its continued commitment to meeting its mission so that they may retain confidence in their Credit Union.

*Kevin Cress*

**Kevin Cress**  
Chair, Supervisory Committee



## 2023 Financials

### STATEMENT OF CONDITION

For the year ended December 31, 2023 (in thousands)

Assets	2022	2023
Loans Net of Allowance for Loan Losses	1,551,176	1,619,768
Cash and Cash Equivalents	59,036	56,249
Investments	173,130	178,792
Fixed Assets	31,668	29,643
Other Assets	60,153	76,415
<b>Total Assets</b>	<b>1,875,163</b>	<b>1,960,867</b>

Liabilities and Equity	2022	2023
Accounts Payable & Other Liabilities	24,078	37,799
Notes Payable	195,000	151,000
Member Shares	1,475,643	1,566,885
Non Member Shares	1,435	—
<b>Total Liabilities</b>	<b>1,696,156</b>	<b>1,755,684</b>
Regular Reserves	9,050	9,050
Undivided Earnings	169,957	196,133
<b>Total Equity</b>	<b>179,007</b>	<b>205,183</b>
<b>Total Liabilities and Equity</b>	<b>1,875,163</b>	<b>1,960,867</b>

### STATEMENT OF INCOME & EXPENSE

For the year ended December 31, 2023 (in thousands)

Income	2022	2023
Loan Interest	59,019	81,302
Investment Interest	3,714	6,550
Fee and Other Income	28,984	31,056
<b>Total Income</b>	<b>91,717</b>	<b>118,908</b>

Expenses & Cost of Funds	2022	2023
Operating Expenses (Including PLL)	59,648	71,052
Cost of Funds	5,899	24,254
<b>Total Expenses and Cost of Funds</b>	<b>65,547</b>	<b>95,306</b>
Other Non-Operating Income Expense (Inc)	132	(217)
Net Income Before Stabilization	26,038	23,819
Stabilization Expense	0	0
<b>Net Income After Stabilization</b>	<b>26,038</b>	<b>23,819</b>

### Total Assets

2023	\$1.96 B
2022	\$1.87 B
2021	\$1.60 B
2020	\$1.41 B
2019	\$1.22 B
2018	\$1.19 B

### Total Shares

2023	\$1.57 B
2022	\$1.48 B
2021	\$1.37 B
2020	\$1.21 B
2019	\$1.01 B
2018	\$989 M

### Total Gross Loans

2023	\$1.64 B
2022	\$1.56 B
2021	\$1.28 B
2020	\$1.14 B
2019	\$1.01 B
2018	\$995 M

### Total Net Worth

2023	\$224 M
2022	\$204 M
2021	\$177 M
2020	\$151 M
2019	\$132 M
2018	\$115 M

## Financial Officer's Report

2023 was a volatile year that included several bank failures, multiple increases in the interest rate by the Federal Reserve, and inflation uncertainty. These developments prompted a strategic adjustment in the management of the balance sheet. As noted in past reports, Y-12 Federal Credit Union positioned itself to weather these difficulties by maintaining its financial strength, achieving an asset growth of \$85 million and evolving into a \$1.96 billion institution.

Growth was achieved primarily through deposits by providing a variety of benefits to our members that included offering share certificate promotions throughout the year, implementing several enhancements to checking accounts, eliminating fees on the Everyday Checking account, reducing the criteria for receiving dividends on Everyday and High Yield Checking accounts, and raising the rate of the High Yield Checking account. In addition, Y-12 FCU introduced a new High Yield Money Market account. With these compelling new features, member deposits grew by a remarkable \$91 million, representing a 6% increase.

Despite another year of rate hikes by the Federal Reserve, the lending team sustained \$75 million in growth. The driving force behind this expansion was primarily Home Equity Lines of Credit (HELOCs), with members capitalizing on the flexibility offered by this product. Additionally, success continued in both the consumer lending and member business lending portfolios.

In January 2023, Y-12 Federal Credit Union opened its 16th branch off Middlebrook Pike in Knoxville. The latest additions in Lenoir City and Middlebrook Pike present valuable opportunities for Y-12 FCU to extend its services to existing and new members.

Notably, the mobile and website platforms were substantially upgraded, with considerable behind-the-scenes efforts to introduce new functionality. The combined impact of opening new branches and implementing various improvements across the Credit Union contributed to another outstanding financial year, concluding with a return on assets of 1.24% and net income reaching \$23.8 million.

Even though the future financial environment is expected to generate numerous challenges, Y-12 Federal Credit Union remains financially safe and sound thanks to the efforts of management, volunteers on the board and committees, regulatory agencies, and outside auditors and consulting firms. It is the successful interaction of all these groups that constantly evaluate these challenges and develop appropriate strategies to continuously improve member services and security.

I want to personally thank the Credit Union employees and volunteers for their dedication, especially those members who provide the focus for our efforts.

*Sam Pelchar*

**Sam Pelchar**  
Board Financial Officer



# Community Report

## Y-12 FCU Gives Foundation

The mission of the Y-12 FCU Gives Foundation is to reduce the number of undernourished children in the communities we serve by providing them with food, knowledge, and resources. To realize this mission, the Foundation extends grants to vetted organizations focusing on combating childhood hunger. Stringent evaluation ensures efficient fund utilization, guaranteeing that 100% of grant proceeds directly contribute to feeding hungry children in East Tennessee, with an average of \$1.33 providing one meal.

In 2023, the Foundation proudly allocated \$351,000 across 34 local organizations. Since its inception in 2017, the Y-12 FCU Gives Foundation has contributed \$1.5 million to 102 organizations actively participating in the battle against childhood hunger. The supported programs include food pantries, garden initiatives, summer food programs, school backpack programs, and more. The Y-12 FCU Gives Foundation feels privileged to support the communities we serve in a manner that significantly impacts our most vital resource – our children.

**\$351K** proudly allocated across 34 local organizations in 2023

To learn more about the Y-12 FCU Gives Foundation and how you can support our efforts, please visit [y12fcugives.org](https://y12fcugives.org) or follow the Foundation on Facebook or Instagram (@y12fcugives).

## Golf Tournament

On October 16, 2023, the Y-12 FCU Gives Foundation held its fourth annual charity golf tournament at Fox Den Country Club in Knoxville. With an impressive turnout of 77 golfers, the tournament raised over \$75,000, which is dedicated to the cause of childhood hunger. These funds will be reinvested in local East Tennessee communities through grants to organizations directly addressing childhood hunger in the surrounding counties. Executive Director Gary Brewster expressed his enthusiasm for the outcome of the 2023 tournament, stating, “As our Foundation continues to grow and significantly impact our local communities, I am delighted to witness the pivotal role our charity golf tournament plays in enhancing our giving capability. It stands as a crucial element in our overall capacity to combat childhood hunger.”

The tournament raised over \$75,000, which is dedicated to the cause of reducing childhood hunger.



## Scholarship Program

In 2010, we proudly launched the Bill T. Hicks Scholarship program, named in honor of our former Y-12 FCU Board Chair and esteemed Oak Ridge School District educator. Over the years, the Credit Union has dedicated itself to supporting education by awarding over \$120,000 in scholarships to 95 graduating seniors aspiring to pursue higher education.

In 2023, we granted six \$5,000 scholarships to support deserving individuals embarking on their educational journeys. Winners enjoyed an Into the Wild-themed awards dinner at the Knoxville Zoo. Local celebrity Hallerin Hilton Hill delivered an inspiring address to the graduates.

**\$30K** in scholarships granted in 2023

## Financial Wellness

As your dedicated financial partner, we are committed to transforming lives by equipping our members with the tools they need to achieve financial confidence. In 2023, we expanded our financial wellness offerings with the introduction of a few new resources:

- KOFE:** Through a strategic partnership with KOFE: Knowledge of Financial Education, we elevated our online financial wellness portal. This comprehensive platform offers a wide array of free resources, including financial evaluations, educational courses, webinars, podcasts, articles, videos, and more. Members can also benefit from complimentary one-on-one financial coaching sessions conducted by certified coaches over the phone.
- My First Nest Egg App:** We introduced “My First Nest Egg,” a free money education app designed for parents and young children. This program goes beyond the app, offering a classroom curriculum suitable for elementary and middle school students and fostering financial education from an early age. We are excited to empower the next generation with essential financial knowledge and skills.
- Banzai:** This new partnership enables us to sponsor local schools by providing Banzai’s award-winning interactive platform that teaches real-world finance in their classrooms.





## Community Photos

Clockwise from top left: Community Shred Day at the new Middlebrook Pike Branch; Delivering tiny trees to patients at East Tennessee Children's Hospital; Fantasy of Trees, benefiting East Tennessee Children's Hospital; Oak Ridge Community Shred Day; Regional Legislative Agenda Breakfast presented by the Anderson County, Blount, Farragut, Knox, and Oak Ridge Chambers; Third Annual Women's Spectacular presented by WATE; Presenting on financial wellness at Leadercast

## 2023 Credit Union Awards

**Bauer Financial Inc. – 5-Star Rating**

The nation's premier bank and credit union rating firm awarded us its highest rating, 5 stars, for financial strength and stability. Earning a 5-star rating indicates we excel in areas of capital adequacy, profitability, asset quality, and much more.

**Best of Anderson County Best Credit Union**

Voted on by readers of the Clinton Courier

**Best of Campbell County Best Credit Union**

Voted on by readers of the LaFollette Press

**Secret City Community Choice Award Best Credit Union**

**Best Investment Firm Best Mortgage Lending Company**  
Nominated and voted on by Oak Ridge community members

**CUNA Diamond Award**

The Diamond Awards, presented by the CUNA Marketing & Business Development Council, recognize and reward creative excellence and outstanding results in marketing. We won in the Direct Mail category for the Lenoir City Branch Grand Opening campaign.

**Credit Union Rock Star – Chief People Officer Lynn Boston**

Lynn was among 25 credit union professionals and board members named 2023 Credit Union Rock Stars by the editorial team of Credit Union Magazine. The Credit Union Rock Stars program recognizes outstanding credit union professionals and directors from a wide range of disciplines who inspire and innovate to advance the missions of their credit unions. Members of the 11th class of Rock Stars were selected for their exceptional creativity, innovation, and passion.

**Marketing Association of Credit Unions Award**

The MAC Awards highlight and award marketers who step up their game and create terrific campaigns with tangible results. We received a Bronze Award for Online and Print Advertising.

**“The employees are extremely helpful and always have a smile and a warm greeting. Makes one feel like family.”**

Y-12 FCU Member



## Purpose Statement

Y-12 Federal Credit Union will be an innovative financial partner, transforming the lives of our members and communities by developing lasting relationships while delivering WOW experiences.

## Core Values

**Integrity.** We do the right thing.

**Communication.** We maintain open doors and open minds.

**Fun.** We enjoy our work and our work environment.

**Continuous Improvement.** We are committed to getting better every day.

**Collaboration.** We work together to achieve more.

### Anderson County

501 Lafayette Drive  
Oak Ridge, TN 37830

101 Crosspark Drive  
Clinton, TN 37716

450 N. Charles Seivers Blvd.  
Clinton, TN 37716

### Blount County

624 W. Lamar Alexander Pkwy.  
Maryville, TN 37801

2901 Old Knoxville Hwy.  
Maryville, TN 37804

### Campbell County

2550 Jacksboro Pike  
Jacksboro, TN 37757

1011 E. Central Ave.  
LaFollette, TN 37766

### Knox County

6640 Clinton Hwy.  
Knoxville, TN 37912

9245 Kingston Pike  
Knoxville, TN 37922

9133 Middlebrook Pike  
Knoxville, TN 37923

13128 Kingston Pike  
Knoxville, TN 37934

2377 Cherahala Blvd.  
Knoxville, TN 37932

530 E. Emory Road  
Powell, TN 37849

### Loudon County

391 Highway 321  
Lenoir City, TN 37771

### Roane County

1715 Roane State Hwy.  
Harriman, TN 37748

### Sevier County

1203 Dolly Parton Pkwy.  
Sevierville, TN 37862



y12fcu.org



Federally insured by NCUA  
EQUAL HOUSING  
LENDER