



**Eighty-Sixth
Annual Membership Meeting**

September 29th, 2020

AGENDA

TUESDAY SEPTEMBER 29, 2020

- ✦ Roll Call & Determination of a Quorum
- ✦ Reading & Approval of the Minutes of the 85th Annual Meeting
- ✦ Report of the President/CEO
- ✦ Report of the Audit Committee
- ✦ Report of the Credit Committee
- ✦ Report of the Board of Directors
- ✦ Unfinished Business
- ✦ New Business
- ✦ Report of the Nominating Committee
- ✦ Adjournment

MINUTES OF THE 85th ANNUAL MEETING OF FREEDOM CREDIT UNION
HELD AT CENTERPOINTE OFFICE CENTER 626 JACKSONVILLE ROAD, SUITE 250 WARMINSTER, PA 18974
ON TUESDAY, SEPTEMBER 24, 2019

1. Call to Order: Chairman Christopher McGinley called the meeting to order at 6:00 p.m.
2. Call for a Quorum: Mr. Charles Whiting advised that a quorum was present.
3. Reading of the Minutes of the 84th Annual Meeting: A motion to dispense with the reading of the Minutes and accept them as printed and distributed was unanimously approved.
4. Report of the President/CEO: Mr. John F. King, President/CEO, gave his report, a copy of which is made part of the Minutes.
5. Audit Committee Report: Crystal Barnett, Chairperson, Member of the Audit Committee, gave the report of the Committee, a copy of which is made part of the Minutes.
6. Credit Committee Report: Mr. Rick MacLeod, Member of the Credit Committee, gave the report of the activities of the Credit Committee, a copy of which is made part of the Minutes.
7. Report of the Board of Directors: Chairman McGinley gave the report of the Board of Directors, a copy of which is made part of the Minutes.
8. Unfinished Business: Chairman McGinley asked if there was any unfinished business, and there was none.
9. New Business: Chairman McGinley asked if there was any new business, and there was none.

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10. Report of the Nominating Committee: Mr. Dave Wilson gave the Nominating Committee report, a copy of which is made part of the Minutes. He announced that the following names had been placed into nomination:

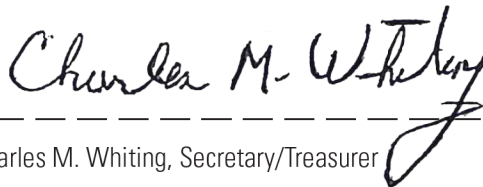
Board of Directors: Dr. Christopher McGinley
Marie E. Sejda
Steven J. Turco

Credit Committee: Victor A. Derrick

There were no nominations received by petition.

There not being a contested election, under our Bylaws no ballots were mailed. The candidates were declared elected by acclamation.

11. Adjournment: There being no other business, the Chairman declared the meeting adjourned at 6:14 P.M.



Charles M. Whiting, Secretary/Treasurer

STATEMENT OF INCOME

Statement of Income	Year ended August 31, 2020	Year ended August 31, 2019
Income		
Interest on Loans	\$ 32,452,555	\$ 30,335,523
Income on Investments	3,558,597	5,103,798
Service Fees & Charges	7,253,892	9,118,842
Other Non-Interest Income	7,563,158	6,005,622
Total Operating Income	\$ 50,828,202	\$ 50,563,785
Expenses		
Employee Compensation	\$ 7,534,456	\$ 7,107,521
Employee Benefits	3,285,723	3,364,757
Education, Travel, and Association Expense	156,419	135,535
Office Occupancy Expense	1,506,817	1,046,881
Office Operating Expense	2,589,918	2,762,592
Professional and Outside Services	5,015,408	5,171,318
Loan Origination and Servicing Expense	1,920,535	1,697,130
Marketing Expense	575,679	519,777
Miscellaneous Expense	469,670	431,345
Provision for Loan Losses	5,575,000	4,525,000
Total Operating Expenses	\$ 28,629,625	\$ 26,761,856
Dividends	11,795,360	10,502,762
Total Expenses	40,424,985	37,264,618
Net Income	\$ 10,403,217	\$ 13,299,167

STATEMENT OF FINANCIAL CONDITION

	August 31, 2020	August 31, 2019
Assets		
Loans	\$ 680,428,316	\$ 667,322,278
Allowance for Loan Losses	(10,375,850)	(8,653,436)
Cash and Cash Equivalents	2,431,296	1,989,353
Interest Bearing Accounts	350,436,863	248,507,188
Securities Available for Sale	36,126,738	49,375,069
Accrued Interest Receivable	2,706,418	2,319,972
Land and Building	1,854,659	1,580,008
Furniture & Equipment	769,323	342,492
Share Insurance Deposit	8,257,409	7,482,145
Prepaid Expenses and Other Assets	12,759,096	9,650,205
Total Assets	<u>\$ 1,085,394,268</u>	<u>\$ 979,915,274</u>
Liabilities		
Share Accounts	\$ 271,709,981	\$ 217,432,779
Share Drafts	158,713,972	123,067,272
Money Markets	129,142,836	116,616,491
IRA Shares	15,504,165	14,700,335
Share Certificates	330,808,590	338,848,535
IRA Certificates	57,793,027	58,424,805
Accounts Payable	534,459	602,037
Accrued Expenses	4,187,507	4,582,507
Total Liabilities	<u>\$ 968,394,537</u>	<u>\$ 874,274,761</u>
Equity		
Undivided Earnings	\$ 113,086,667	\$ 102,683,449
Regular Reserves	2,392,064	2,392,064
Valuation Allowance	1,521,000	565,000
Total Equity	<u>\$ 116,999,731</u>	<u>\$ 105,640,513</u>
Total Liabilities & Equity	<u>\$ 1,085,394,268</u>	<u>\$ 979,915,274</u>

REPORT OF THE PRESIDENT | CEO

I'll get right to the point. Your Credit Union is in great fiscal shape despite net income trailing off by 50%. The areas with the reduced income came from a drop in Adjustable rate mortgages, home equity loans and credit card balances. Despite the reduced income our reserves remain strong and available for use should there become a need. Some operational decisions needed to be made to keep our staff and you the member safe. On March 17th we closed all of our branches to lobby traffic. The two offices that have a drive-thru window remained open and still remain open today. What we have learned is 70% of branch transactions being performed at the drive-thru can actually be accomplished with our e-services, including online & mobile banking, the shared branching network and ATM's. That's 7 out of 10 members who do not have to be in line but choose to be, as our staff continues to do its best to provide service under the current circumstances.

Before COVID-19 hit we had a plan to open our new teller-less Access Centers. That's correct, teller-less. All the transactions that you wish to perform can now be done via our new ITM (Interactive Teller Machine) systems located inside these locations. The plan is to open our new Fairmount access center location in early October followed by the new Morrell access center location. Additionally, we are now relocating the current Warminster office to the intersection of Street Road and Jacksonville Road. This new Warminster office will be ready to open in early November. At all these locations we will have staff available to walk you through the transaction that you will be performing at the machines. To be clear there will not be any tellers, however staff will be available to help with all your financial needs. The future looks the same for the Lansdale and Abington locations.

As a not-for-profit financial cooperative we are all in this together. With your continued support and understanding we will come through this whole ordeal and be better for it.

Now for the financial information. During the year, we have increased total loans from \$667 million to \$680 million, an increase of \$13 million. These results are primarily due to an increase in used auto financing, first mortgage refinancing, new money purchase mortgages, and home equity loans.

Shares increased from \$869 million to \$964 million. This is an increase of 10.9%. The growth came primarily from regular shares, share drafts and money market accounts.

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REPORT OF THE PRESIDENT | CEO

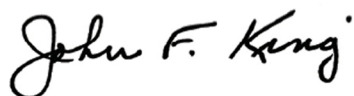
During this past year, we increased our Allowance for Loan Losses to \$10,376,000. This allowance is important to offset normal loan losses as well as the large number of bankruptcy filings. Bankruptcies currently represent 13.9% of our loan losses. This is a decrease from last year. However, bankruptcy filings continue to increase across the nation and in our region.

For the year, losses on charge-offs totaled \$4,085,000. Of this amount, \$568,000 was due to bankruptcy. Over the past year, we received \$204,000 in recoveries from charged off loans. This amount was added back into the Allowance for Loan Losses account.

The Pandemic has not yet revealed what our future losses will be. We will not know the outcome until the last quarter of this year into early next year. Because of the uncertainty of loan repayment since April of this year we have doubled our normal monthly reserve requirement and will continue to do so until the end of this year.

Thank you to our members who continue to show their support of their Credit Union. Without that support we would not see the positive year-over-year results that we do. Thank you for your membership.

Respectfully submitted,



John F. King
President | CEO

REPORT OF THE AUDIT COMMITTEE

It is the responsibility of the Audit Committee to safeguard the interests of the Credit Union Membership. The Committee is responsible for examining the overall financial operation of the Credit Union, as well as reviewing policies, procedures, and regulations governing the Credit Union and ensuring that they are followed.

Due to the complex nature of these duties and responsibilities, Freedom Credit Union retained the services of RKL LLP to conduct an audit of the Credit Union's records. The firm conducted their audit for fiscal year ending March 31, 2020, in accordance with generally accepted auditing standards and regulatory guidelines governing credit unions. As a result of the tests performed, they rendered a favorable opinion on the financial condition of the Credit Union.

The Credit Union also engages RKL LLP to provide internal audit services. Services are provided throughout the year and include the review of various functions from which recommendations are made when appropriate.

We also meet with the President/CEO to discuss the results of examination reports issued by the Pennsylvania Department of Banking, the National Credit Union Administration, and our external auditors.

If you need to contact us during the year, please address your correspondence to the Audit Committee, % Freedom Credit Union. We will get back to you as soon as possible.

We would like to extend our thanks to the Board of Directors and to the office staff for their assistance throughout the year.

Respectfully submitted,

Crystal B. Barnett, Chairperson
Wade Birchfield, Member
Steven J. Turco, Member

REPORT OF THE CREDIT COMMITTEE

For the twelve months ending August 31, 2020, the Credit Committee approved and disbursed \$221,000,000 in loans. These loans consisted of \$105,000,000 in Consumer Loans, and \$116,000,000 in Mortgage Loans.

The Credit Union participates in Indirect Auto Lending with 50 local dealerships. This program generated 385 loans over the past year, with balances totaling \$8,500,000.

In addition, over the past year, the Credit Union's Automobile Refinance program, which offers current and prospective members the opportunity to refinance an automobile loan they have with other financial institutions, generated 670 loans for the Credit Union, for \$13,000,000.

In these unprecedented times, the Credit Union was here for our members. We offered Emergency COVID Loans to those members financially affected by the recent pandemic. We offered special underwriting and terms on loans up to \$2,500, with an interest rate of only 2.49%. The Credit Union disbursed over 640 of these loans, for \$1,300,000.

The Credit Committee would like to express its sincere thanks to the loan officers and office staff whose hard work and dedication have substantially reduced the Committee's workload.

Respectfully submitted,

John F. King, Chairman
Rick MacLeod, Secretary
James Calista, Member

REPORT OF THE BOARD OF DIRECTORS

The safety of the Members' assets is the Board of Directors' fiduciary responsibility. You can be confident that we are acting in all our members' best interest. When the COVID-19 hit, your board went into action to help our members during this difficult time. Below are some of the actions that were taken on your behalf.

Emergency Loans

Knowing that our members were caught by surprise by this economic downturn we issued Emergency Loans to those that needed them. These were loans where we offered up to \$2,500.00 with advanced first payment dates.

Pushing out Loan Due Dates on Consumer Loans

In advance of members requesting relief we moved loan due dates out in the future for the months of March, April and May on all consumer loans. Members who still wanted to make their payment were encouraged to do so, but if they could use the help for some financial relief for those three months they could. If you were a member who has a consumer loan you received an email each month for which the payments were advanced. Starting June 1st we sent an email to members with consumer loans asking them to start making their required payments. Understanding that members could still be economically challenged members could call and work out a payment arrangement to help them during this time.

Mortgage Loans and Business Loans

Members were encouraged to contact the Credit Union to ask for relief from their monthly payments if they needed it. We continue to encourage our members to contact us if they still need assistance. However, if they have the capacity to make their payments we encourage them to do so.

Branch Network

Since March 17th we have operated two branches that have drive-up windows to assist members. We will continue this operation until further notice. Until the CDC says that we are free to socialize without social distancing or masks our other branches will remain closed to member traffic. The safety of our members and that of our employees are of the utmost importance.

E-Services

We have been advertising for months to Stay Home and Stay Safe. With our e-services such as mobile and remote banking, Telephone Teller and our ATM network there is nothing you can't accomplish that you walk into a branch or sit in a drive up lane to do. If members who are currently using the drive up would use our e-services, you will accomplish two things. You will be saving YOUR Credit Union money and you will be keeping our staff safe. PLEASE help us help you.

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REPORT OF THE BOARD OF DIRECTORS

Payroll Protection Program (PPP) Loans

To help our members who have their own business we participated with the Small Business Administration (SBA) in offering these loans. If the member uses the money for what it was intended, then the loan will be forgiven by the SBA. If for some reason the funds were not used for the intended purpose the funds turn into a 60 month loan at 1%.

Working Remote

With the exception of our branch staff and our mail room the entire organization has been working remote servicing our members since March 17th without a skip in our service levels. We will continue to operate this way until it is socially safe to be together again.

We will continue to monitor our members needs and take whatever action is fiscally responsible to help everyone that needs it. We would like to thank you, our members for your continued support of your credit union during this time. We would like to thank the Board of Directors and the staff of the Credit Union who both have been working with your best interest in all that we do. We look forward to continued growth and success for the Credit Union.

BOARD OF DIRECTORS

Dr. Christopher McGinley, Chairman
George Madden, Vice Chairman
Charles M. Whiting, Secretary
Matthew Lentz, Treasurer
Crystal B. Barnett, Member
Wade Birchfield, Member
Vincent W. Rutland, Member
Marie E. Sejda, Member
Lowell A. Tinner, Member
Steven J. Turco, Member
Donald M. Woods, Member

Audit Committee

Crystal B. Barnett, Chairperson
Wade Birchfield, Member
Steven J. Turco, Member

Emeritus Board Member

Joseph Yerkes, Member

Credit Committee

John F. King, Chairman
Rick MacLeod, Secretary
James Calista, Member

President/CEO

John F. King





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