

FREEDOM CREDIT UNION

Eighty-Seventh Annual Membership Meeting



Tuesday, September 28th, 2021

CenterPointe Office Center | 626 Jacksonville Road, Suite 250 | Warminster, PA 18974-4862

AGENDA

TUESDAY SEPTEMBER 28, 2021

- ★ Roll Call & Determination of a Quorum
- ★ Reading & Approval of the Minutes of the 86th 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 86th ANNUAL MEETING OF FREEDOM CREDIT UNION

HELD VIRTUALLY
ON TUESDAY, SEPTEMBER 29TH, 2020

1. At 6:00 P.M., the moderator welcomed everyone to the 86th Annual Meeting of Freedom Credit Union.
2. Call to Order: Chairman Dr. Christopher McGinley called the meeting to order at 6:03 P.M.
3. Call for a Quorum: Mr. Charles Whiting advised that a quorum was present with 70 members and employees in attendance.
4. Reading of the Minutes of the 85th Annual Meeting: A motion to dispense with the reading of the Minutes and accept them as printed and distributed. The motion was unanimously approved.
5. Report of the President/CEO: Mr. John F. King gave his report, a copy of which is made part of the Minutes.
6. Audit Committee Report: Ms. Crystal Barnett gave the report of the Committee, a copy of which is made part of the Minutes.
7. Credit Committee Report: Mr. Rick MacLeod gave the report of the activities of the Credit Committee, a copy of which is made part of the Minutes.
8. Report of the Board of Directors: Chairman Dr. McGinley gave the report of the Board of Directors, a copy of which is made part of the Minutes. Chairman Dr. McGinley stated that if there are any questions on the reports to please submit them through the Q&A. The moderator will relay the questions before the close of the meeting.
9. Unfinished Business: Chairman Dr. McGinley asked if there was any unfinished business, there was none.
10. New Business: Chairman Dr. McGinley asked if there was any new business.

Mr. King stated Freedom has adopted two changes to our bylaws and summarized the changes:

First, we included an amendment to permit the virtual annual meeting. In response to COVID 19 and restrictions on large gatherings, state and federal regulators approved bylaw language permitting credit union annual meetings to be conducted through media such as zoom or similar teleconferencing.

(continued)

ANNUAL REPORT 2021

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Second, we amended the bylaws to clarify how disputes between members and the credit union will be addressed. Specifically, this amendment includes a class action waiver. This measure protects you, our members, and the credit union by working together to resolve disputes.

The Credit Union Code authorizes the Board to amend the bylaws. Both measures were delivered to the PA Department of Banking. If any additional action is required, we will inform you.

11. Report of the Nominating Committee: Mr. Dave Wilson gave the Nominating Committee report. He announced the following names which were placed into nomination:

Board of Directors: George Madden
Lowell A. Tinner
Donald Woods
Vincent Rutland

Credit Committee: Patrick MacLeod

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.

12. Adjournment: There being no other business, the Chairman declared the meeting adjourned at 6:18 P.M.

Charles M. Whiting
Charles M. Whiting (Nov 5, 2020 14:22 EST)

Charles M. Whiting, Secretary

STATEMENT OF INCOME

	Year ended August 31, 2021	Year ended August 31, 2020
Income		
Interest on Loans	\$ 31,010,962	\$ 32,452,555
Income on Investments	1,082,390	3,558,597
Service Fees & Charges	6,574,822	7,253,892
Other Non-Interest Income	11,030,164	7,563,159
Total Operating Income	\$ 49,698,338	\$ 50,828,203
Expenses		
Employee Compensation	\$ 7,492,267	\$ 7,534,456
Employee Benefits	3,288,828	3,285,723
Education, Travel, and Association Expense	148,355	156,419
Office Occcupancy Expense	2,218,197	1,506,817
Office Operating Expense	3,625,336	2,589,918
Professional and Outside Services	5,293,445	5,015,408
Loan Origination and Servicing Expense	2,457,232	1,920,535
Marketing Expense	408,052	575,679
Miscellaneous Expense	564,247	469,670
Provision for Loan Losses	5,400,000	5,575,000
Total Operating Expenses	\$ 30,895,959	\$ 28,629,625
Dividends	8,006,240	11,795,360
Total Expenses	38,902,199	40,424,985
Net Income	\$ 10,796,139	\$ 10,403,218

STATEMENT OF FINANCIAL CONDITION

	August 31, 2021	August 31, 2020
Assets		
Loans	\$ 613,515,269	\$ 680,428,316
Allowance for Loan Losses	(10,348,151)	(10,375,850)
Cash and Cash Equivalents	1,534,658	2,431,296
Interest Bearing Accounts	458,464,310	350,436,863
Securities Available for Sale	19,755,369	36,126,738
Accrued Interest Receivable	2,234,402	2,706,418
Land and Building	50,001	1,854,659
Furniture & Equipment	18	769,323
Share Insurance Deposit	9,269,253	8,257,409
Prepaid Expenses and Other Assets	14,686,398	12,759,096
Total Assets	\$ 1,109,161,527	\$ 1,085,394,268
Liabilities		
Share Accounts	\$ 307,971,515	\$ 271,709,981
Share Drafts	183,065,469	158,713,972
Money Markets	147,465,782	129,142,836
IRA Shares	17,265,610	15,504,165
Share Certificates	273,505,496	330,808,590
IRA Certificates	47,523,633	57,793,027
Accounts Payable	290,702	534,459
Accrued Expenses	4,898,451	4,187,507
Total Liabilities	\$ 981,986,658	\$ 968,394,537
Equity		
Undivided Earnings	\$ 123,882,805	\$ 113,086,667
Regular Reserves	2,392,064	2,392,064
Valuation Allowance	900,000	1,521,000
Total Equity	\$ 127,174,869	\$ 116,999,731
Total Liabilities & Equity	\$ 1,109,161,527	\$ 1,085,394,268

REPORT OF THE PRESIDENT | CEO

I do not have to tell you that the past year was a challenge for everyone including your credit union. We continued to adapt to the ever-changing Virus information from the CDC. We continue to keep our access centers open and we are finishing renovations on our Abington office to our new Access Center concept to serve you the member in the ever-changing digital environment we find ourselves in. All our members who are going along with us on this Journey, we thank you for your patience.

I talked about this on a number of occasions that the heartbeat of this organization is its members and the ability to add new members to support the Credit Union. Just prior to the pandemic, we had an aggressive plan to add new members to the Credit Union with the exclusive help of you, our existing members. I am happy to report that this membership drive will be kicking off in the first quarter of 2022. More detail to follow in the months ahead.

If you are in the market for a loan, I ask that you consider your Credit Union. Whatever your need we have an answer. The entire loan process can take place remotely and electronically making it a seamless and painless task, even the mortgage process. The more you support the Credit Union with its lending activities the more we can return to our members in higher rates on savings and certificates.

In my almost 50 years in the Credit Union movement, I have never seen rates on saving, certificates and loans this low. I can understand members looking to increase their yield on their hard-earned money. Many members are seeking the stock market as an alternative to this low rate environment. I cannot blame you. All I can do is caution you on the risk you will be taking. A rule of thumb in investing: if you do not understand it then why risk it. Rates will not stay this low for ever stick with your credit union we have been with you through more than our share of financial ups and downs and we are still here to serve you.

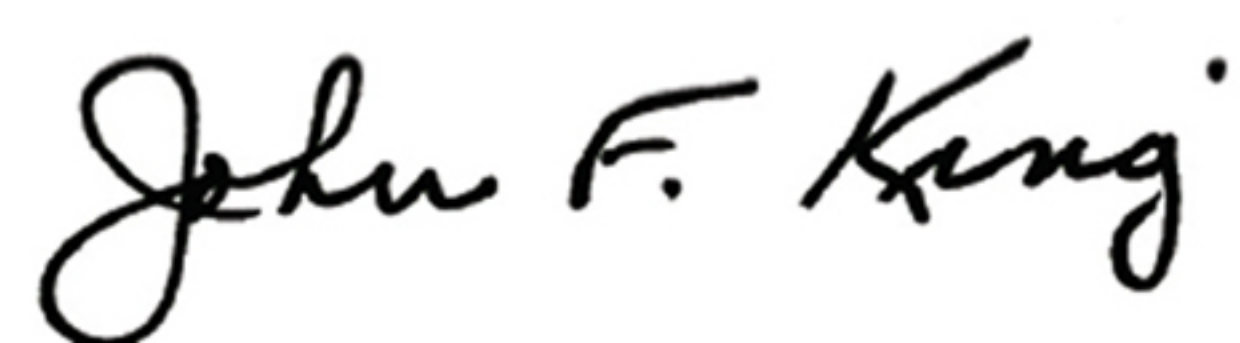
Now for the financial information. During the year, our loan portfolio decreased from \$680 million to \$613 million, a decrease of \$67 million. This decrease of nearly 11% was the result of loan pay downs; pay offs and refinances outpacing our new loan originations during the year.

Shares increased from \$964 million to \$977 million. This is an increase of 1.4%. The growth came primarily from regular shares, share drafts and money market accounts.

Our Allowance for Loan Losses is \$10,348,000. This allowance is important to offset normal loan losses as well as the large number of bankruptcy filings. Bankruptcies currently represent 13.0% of our loan losses.

For the year, losses on charge-offs totaled \$5,974,000. Of this amount, \$776,000 was due to bankruptcy. Over the past year, we received \$338,000 in recoveries from charged off loans. This amount was added back into the Allowance for Loan Losses account.

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, 2021, 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, 2021, the Credit Committee approved and disbursed \$214,500,000 in loans. These loans consisted of \$103,600,000 in Consumer Loans, and \$110,900,000 in Mortgage Loans.

We participate in Indirect Auto Lending with 50 local dealerships. This program generated 535 loans over the past year, with balances totaling \$11,700,000.

In addition, over the past year, our Automobile Refinance program, which offers current and prospective members the opportunity to refinance an automobile loan they have with other financial institutions, generated 750 loans, totaling \$17,700,000.

The COVID-19 crisis affected many of our members who own small businesses. Through the government backed SBA Paycheck Protection Program (PPP) we were able to help 230 of our members secure \$8,800,000 in loans to keep their workforce employed.

In June of this year we started a Personal Loan promotion, with rates as low as 2.99%. As of month-end August 2021, we have disbursed 630 loans for \$6,000,000.

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

This past year was once again a successfully financial year for your Credit Union. We as a Board are dedicated to bringing the best possible service and products to our Members. The management team and all our staff are dedicated to this end as well. As the year progressed, we modified and changed several of our current products to make them easier for our members to use and we continue in that regard.

When the pandemic started, your Board of Directors was laser focused on delivering the help our Members needed. That did not change this past year although there was less demand for special considerations from our Members. By all accounts our Members are faring financially well through this pandemic and for those that are not your Credit Union is there to help them along until they get back on their feet.

Helping Members is not just a pandemic problem it is what we do. As a not for profit financial cooperative and the stewards of the assets of the Credit Union, it is our fiduciary responsibility to protect those assets and we take this responsibility seriously.

The Board of Directors would like to thank you, our Members, for giving us the opportunity to serve you. We would also like to thank the Credit Union Volunteers and Committee Members along with the entire Credit Union staff for the dedication and support this past year. We look forward to the continued growth and success of the Credit Union.

Respectfully submitted,

Board of Directors
Freedom 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
Steven J. Turco, Member
Donald M. Woods, Member

Audit Committee

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

Credit Committee

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

President/CEO

John F. King

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People Helping People | Since 1934

FreedomCU.org



@FreedomCUinPA

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