

## Loan Committee Report

Partners 1<sup>st</sup> Federal Credit Union continues to provide a wide range of competitively priced products to meet the financial needs of our members. In 2019, we disbursed the following loans:

Loan Product	Number of Loans	Total Dollar Amount Funded
Auto Loans	3,837	\$66,350,724
ATV's, Boats, RV's	109	\$1,698,072
Closed-End Signature Loans	515	\$1,904,191
Real Estate Loans	403	\$40,716,980
Business Loans	30	\$2,209,657
Credit Cards*	940	\$2,610,861
<b>Total</b>	<b>5,834</b>	<b>\$115,490,485</b>

\*Total Lines of Credit Granted

## Supervisory Committee Report

Assessment of the credit union's internal controls, management practices, regulatory compliance, and financial statement accuracy were accomplished by the supervisory committee. This was done through performance of various audits, financial analysis, and procedural reviews by both the internal audit department and external audit firms.

Internal audit/risk management performed cash counts, loan underwriting audits (including consumer and monthly mortgage reviews) and other operating/compliance audits as well as compliance training for BSA and FACTA. Helping our members fight fraud takes a great deal of risk management resources. Part of our ongoing efforts to reduce fraud include member and staff education and oversight and monitoring controls. The Committee oversees a robust internal audit function and also retains external auditors BKD, LLP, certified public accountants and Whiting & Company LLC to enhance that function by reviewing financial statements and BSA standards. These audits confirmed the internal controls in place and verified the health and strength of the credit union in 2019. All audits were performed in conformance with generally-accepted accounting standards, and no major discrepancies were noted. As reflected in these audits, we continue to see strong equity ratios and operating efficiencies. The BSA audit results confirmed the quality of internal controls and efficiencies.

In the opinion of the supervisory committee, the credit union operated in compliance with all applicable rules and regulations during the year ending December 31, 2019.

## Board of Directors

David A. Dent  
Chairman  
Denny Baumgartner  
Vice Chairman  
Gregory J. Gabet  
Secretary/Treasurer  
Daryl D. Davis  
Debora S. Heiny  
Adam Riegler  
Donald E. Schwegman  
David O. Shultz  
Karen Johnston  
Tom Dwire  
Associate Director

## Loan Committee

Tami Brumett  
Chairman  
Rhonda Smith  
Member  
Cathy Valenti  
Member

## Supervisory Committee

Tom Dwire  
Chairman  
Debora S. Heiny  
Gary Baumgartner



# 2019 Annual Report

Partners 1<sup>st</sup>  
FEDERAL CREDIT UNION

# Chairman's Report

The year, 2019, was one of building. Following our recent merger and data conversion, we made building a focus. Taking the now larger organization and adding necessary resources and infrastructure was paramount. To that end, we placed our attention in a couple of areas: software and facilities. Nearly all departments were impacted.

To support our growing mortgage department, we implemented state-of-the-art software for mortgage origination and servicing. We enhanced our indirect lending software to integrate with our core software, providing efficiencies that allow the staff to better serve our members. The business lending department expanded its member service capabilities by implementing new lending and origination software. The accounting department is employing new software to meet the requirements of CECL. Additionally, we upgraded our document management software and our phone systems.

We accomplished a major conversion of our debit and credit cards, as well as ATMs, to a new vendor. During the year, we worked extensively with our core parent, Finastra, as an alpha site to test and implement their new software, Digital Front Office.

The credit union improved its physical footprint by upgrading our facilities. Two branches, one in Fort Wayne and the other in Ottawa, Ohio, underwent extensive renovations to update and upgrade the buildings. We also saw the culmination of our goal to move our branch in Winchester, Virginia, out of our in-plant facility to our newly renovated building. We opened the new facility in June, 2019. During the summer, we purchased a building in Gordonsville, Virginia, to move that store-front branch. The building was renovated and rebranded by the end of the year. And, finally, we ended the year with an agreement to purchase land on the northeast side of Fort Wayne – the future home of our next branch office.

Our actions in 2019 were designed to ensure that we meet your expectation of excellent products and services while maintaining financial strength. We are committed to living our mission and core values. To go beyond the transaction and be your trusted financial partner is our goal and commitment.

On behalf of your board of directors and the entire staff, we thank you. We appreciate your choosing Partners 1st Federal Credit Union for your financial needs.

David Dent  
Chairman

As of Year End December 31, 2019

		<b>Balance Sheet</b>	
		<b>2019</b>	<b>2018</b>
<b>ASSETS:</b>			
Loans to members		240,675,933	220,135,758
Less: Allowance for Loan Losses		<u>(2,104,179)</u>	<u>(1,348,805)</u>
Net Loans		238,571,754	218,786,953
Cash and Investments		106,208,997	116,689,832
Land		2,853,268	2,576,415
Building, Furniture and Fixtures		11,390,222	9,776,088
Other Assets		<u>15,325,260</u>	<u>14,381,978</u>
	<b>TOTAL ASSETS</b>	<b>374,349,501</b>	<b>362,211,266</b>
<b>LIABILITIES/EQUITY:</b>			
Dividends Payable		13,319	7,073
Other Liabilities		7,459,780	6,796,318
Member Shares and Share Certificates		322,101,211	312,638,036
Other Comprehensive Income		149,428	200,861
Unrealized Gain/Loss on Inv		31,354	(236,870)
Regular Reserves		13,392,171	13,392,171
Undivided Earnings		<u>31,202,238</u>	<u>29,413,677</u>
	<b>TOTAL LIABILITIES/EQUITY</b>	<b>374,349,501</b>	<b>362,211,266</b>
		<b>Statement of Income</b>	
Loan Interest Income		11,681,268	9,985,143
Income from Investments		<u>2,365,049</u>	<u>2,543,694</u>
	Total Interest Income	14,046,317	12,528,837
Dividends Paid to Members		(869,053)	(670,500)
Interest on Borrowed Funds		<u>0</u>	<u>(12,349)</u>
	Total Interest Expense	(869,053)	(682,849)
	Interest Margin	13,177,264	11,845,988
Provision for Loan Loss		<u>(2,543,349)</u>	<u>(1,612,609)</u>
	Net Interest Inc Aft Prov for Loan Loss	10,633,915	10,233,379
Fee Income and Other Non-Interest Income		8,471,855	8,609,244
Total Non-Interest Expense		<u>(17,317,208)</u>	<u>(16,258,716)</u>
	<b>Net Income</b>	<b><u>1,788,562</u></b>	<b><u>2,583,907</u></b>
<b>Number of Members</b>		<b>38,630</b>	<b>38,030</b>