

# 2022 Annual Report

Federally insured by NCUA



**First Source**  
Federal Credit Union

## CHAIRMAN'S & CEO'S REPORT

Dear Valued Member,

Thank you for your continued support throughout 2022. As a member-owned financial cooperative, the Board of Directors, Management Team, and Employees of First Source Federal Credit Union continue to focus on our mission of *Improving the quality of life of our Employees, Members, and the Communities we serve*. We do this by taking care of our employees, providing solutions to improve the lives of our Members, and being a good corporate citizen by giving back to the communities where we work, live, and volunteer; all while being good stewards of our financial resources.

Over the years, we have positioned your Credit Union for future growth by building upon its financial strength. Growth is critical to the future of our organization as it enables us to expand our product and service offerings to provide you with effective solutions to meet your increasingly complex financial needs, while continuing to provide value and exceptional personal service.

We had a successful year in terms of Membership and Share Growth, reaching \$ 894.7 million in assets. Loan Growth and Net Income were also strong in 2022. Our overall financial results compare favorably with other credit unions across New York State as well as the entire Country.

Our financial success is achieved by focusing on key areas to better serve Members. In 2022, we met our Members' evolving needs through continued enhancements to our remote technology offerings, including expanding electronic signatures, and other software upgrades and process efficiencies, which will continue to improve service channels for more consistent, streamlined experiences for Members. We deployed Interactive ATMs at our new Washington Mills location, redesigned and expanded our support areas, and implemented upgrades to our overall infrastructure. The year also brought many staff transitions, promotions, and new employment opportunities in alignment with our growth. We continue to place an emphasis on personal financial management, including providing our Members and the community with financial literacy education and tools.

You can be confident your Board of Directors, Management, and Employees are committed to providing the best value in financial products and service. The Board and Management Team continually focus on the future and on remaining a viable and vital resource for our Members and community. We understand that technology is more important than ever as we implement new digital and electronic efficiencies, while remaining focused on preserving our personal connection with our Members. The First Source Team is committed to providing expertise and advice to navigate your finances. Education on how to Live Smarter will be a benefit we continue to provide as we strive to support our Members in making good financial decisions. Thank you for choosing First Source!

*Robert Jubenville, PhD, Board Chairman*  
*Tom Neumann, President/CEO*

## TREASURER'S REPORT

First Source Federal Credit Union experienced another year of solid growth during 2022 as total assets grew by over \$89 million to end the year at \$894.7 million.

First Source's overall financial performance in 2022 was strong and added nearly \$8.5 million to our financial reserves during the year. Our reserves provide protection for the Credit Union from economic downturns and any challenges encountered. I am pleased to report that First Source remains financially sound with over \$86.6 million in reserves and a Net Worth Ratio of 9.68%, which is well capitalized as determined by our federal regulator, the National Credit Union Administration.

During the year, we helped Members continue to achieve their financial goals as total loans outstanding at the end of 2022 grew to over \$835.8 million; up nearly \$152.5 million from the year before.

I am pleased to report that your Credit Union is financially strong, and our strategies are designed to maintain that strength into the future.

*James Peterson, Board Treasurer*

### Highlights from 2022

- Total Assets = \$ 894,786,139
- Total Loans = \$ 835,860,467
- Total Reserves = \$ 86,601,647
- Net Worth = 9.68%
- Return on Assets = .96%

## SUPERVISORY COMMITTEE REPORT

First Source Federal Credit Union's Supervisory Committee is responsible for ensuring that credit union policies, procedures, and internal controls are adequately designed to protect Member's assets through oversight of internal audit activities. This Committee consists of volunteers who apply to serve and are appointed by the Board of Directors.

The Committee is also responsible for ensuring that the financial condition of the Credit Union is accurately presented in the financial statements by engaging an independent Certified Public Accounting Firm. The independent auditor's report, issued by Firley, Moran, Freer & Eassa, CPA, P.C., for the year ended December 31, 2022, confirmed that the financial statements fairly present, in all material respects, the Credit Union's financial position and conform with generally accepted accounting principles. The National Credit Union Administration (NCUA), the Credit Union's primary regulator, also conducts periodic examinations of records and operations.

We are pleased to report that the 2022 financial audit and the most recent NCUA examination both resulted in strong ratings. The Supervisory Committee commends the Board of Directors, Management, and Employees for their high level of performance and service to our Members.

*Byron W. Elias, Chairman*

**BALANCE SHEET**

Years Ended 12/31/2022 and 12/31/2021

	2022	2021
<b>ASSETS</b>		
Cash and Cash Equivalents	\$7,830,299	\$7,225,121
Cash on Deposit at Corporate Credit Union	25,878,240	93,648,253
Cash on Deposit at other Financial Institutions	8,839,392	6,302,660
Investments - Available for Sale	0	0
<b>Total Cash and Investments</b>	<b>42,547,930</b>	<b>107,176,035</b>
New Automobile	121,870,185	98,486,605
Used Automobile	168,574,715	134,261,827
Secured	32,916,486	27,557,957
Unsecured	60,489,676	52,058,939
Participation Loans	7,591	1,325,389
Member Business Loans	63,719,072	44,212,225
SBA PPP Loans	-	1,845,537
Credit Card	19,829,442	18,968,047
Real Estate	367,473,125	303,731,945
All Other	980,174	901,276
<b>Total Loans to Members</b>	<b>835,860,467</b>	<b>683,349,747</b>
Allowance for Loan Losses	(18,999,142)	(17,043,812)
<b>Total Loans, Net</b>	<b>816,861,325</b>	<b>666,305,935</b>
Mortgages Held For Sale	-	-
Accrued Interest Receivable	2,138,406	1,653,346
Property and Equipment, net of depreciation	7,998,035	8,441,433
NCUSIF deposit	7,105,500	6,655,167
Other Real Estate Owned	-	-
Prepaid expense and other assets	18,134,944	15,370,585
<b>Total Assets</b>	<b>\$894,786,139</b>	<b>\$805,602,500</b>

**LIABILITIES AND MEMBER EQUITY**

<b>LIABILITIES</b>		
Notes Payable	50,000,000	-
Accounts payable and accrued liabilities	6,356,815	5,181,471
<b>Total Liabilities</b>	<b>56,356,815</b>	<b>5,181,471</b>
<b>MEMBER EQUITY</b>		
Members' share accounts	751,827,677	722,406,435
Total Reserves	86,601,647	78,014,594
<b>Total Liabilities and Member Equity</b>	<b>\$894,786,139</b>	<b>\$805,602,500</b>

**STATEMENT OF INCOME**

Years Ended 12/31/2022 and 12/31/2021

	2022	2021
<b>INTEREST INCOME</b>		
Interest on Loans	\$37,246,528	\$33,101,062
Interest on Investments	962,104	250,485
<b>Total Interest Income</b>	<b>38,208,632</b>	<b>33,351,546</b>
<b>INTEREST EXPENSE</b>		
Dividends on member's share accounts	3,651,570	3,306,875
Interest on notes payable	408,097	1
<b>Total Dividend Expense</b>	<b>4,059,667</b>	<b>3,306,875</b>
<b>Net Interest Income</b>	<b>34,148,965</b>	<b>30,044,671</b>
Provision for Loan Losses	5,300,000	4,100,000
<b>Net Interest Income after Provision for Loan Losses</b>	<b>28,848,965</b>	<b>25,944,671</b>
<b>NON-INTEREST INCOME</b>		
Fees, service charges and other income	11,241,351	10,338,048
<b>Total Non-Interest Income</b>	<b>11,241,351</b>	<b>10,338,048</b>
<b>Gross Income</b>	<b>40,090,317</b>	<b>36,282,720</b>
<b>NON-INTEREST EXPENSE</b>		
Compensation and Employee Benefits	17,555,338	15,669,262
Office Occupancy and Operations	9,893,370	9,060,054
Member Services, Education, and Promotion	1,768,150	1,561,254
Loan Servicing	2,747,081	2,089,692
Professional Fees	259,404	249,066
Other	585,535	434,773
<b>Total Non-Interest Expense</b>	<b>32,808,877</b>	<b>29,064,101</b>
<b>Total Net Operating Income</b>	<b>7,281,440</b>	<b>7,218,618</b>
Non-operating income/(expense)	1,305,613	1,737,498
Non-Operating gain/loss	-	(97,194)
<b>Net Income</b>	<b>\$8,587,052</b>	<b>\$8,858,922</b>

**STATEMENT OF CHANGES IN MEMBER EQUITY**

Years Ended 12/31/2022 and 12/31/2021

	2022	2021
<b>REGULAR RESERVES</b>		
Balance at January 1	\$6,344,961	\$6,344,961
Transfers to Undivided Earnings	(6,344,961)	-
<b>Balance at December 31</b>	<b>-</b>	<b>6,344,961</b>
<b>UNDIVIDED EARNINGS</b>		
Balance at January 1	71,669,633	62,810,711
Net Income	8,587,052	8,858,922
Transfers from Regular Reserves	6,344,961	-
<b>Balance at December 31</b>	<b>86,601,646</b>	<b>71,669,633</b>
<b>UNREALIZED GAIN/LOSS ON AFS INVESTMENTS</b>		
<b>Balance at December 31</b>	<b>-</b>	<b>-</b>
<b>Total Member Equity as of 12/31</b>	<b>\$86,601,646</b>	<b>\$78,014,594</b>

**STATEMENT OF CASH FLOW**

Years Ended 12/31/2022 and 12/31/2021

	2022	2021
<b>OPERATING CASH FLOW</b>		
Net Interest Income	\$38,209	\$30,045
Fees/Other Income	12,547	11,978
Expenses	(42,169)	(33,164)
<b>Net Income</b>	<b>8,587</b>	<b>8,859</b>
<b>NON-CASH EXPENSE ADJUSTMENTS</b>		
Provision for Loan Loss	5,300	4,100
Depreciation	1,033	1,385
<b>Net Cash from Operations</b>	<b>14,920</b>	<b>14,344</b>
<b>MEMBER ACTIVITIES</b>		
New Loans	(385,470)	(299,697)
Loan Principal Repayment	229,615	235,092
<b>Net Loan Principal Flow</b>	<b>(155,855)</b>	<b>(64,605)</b>
Net Change in Checking	6,176	15,928
Certificates Issued	91,506	69,868
Certificates Matured or Redeemed	(86,513)	(126,347)
Net Change in Other Shares	18,252	79,567
<b>Net Share Balance Flow</b>	<b>29,421</b>	<b>39,016</b>
<b>INVESTING &amp; OTHER ACTIVITIES</b>		
Decrease/(Increase) in Deposits at Corp CU	65,233	9,792
Investment Sales/Maturities	-	-
Investment Purchases	-	-
<b>Net Investment Principal Flow</b>	<b>65,233</b>	<b>9,792</b>
Change in MHFS	-	-
Change in Other Assets	(3,745)	(306)
Change in Other Liabilities	1,043	(453)
Sale of Fixed Assets	-	-
Purchase of Fixed Assets	(590)	(2,514)
<b>Net Change in Other Assets/Liabilities</b>	<b>(3,292)</b>	<b>(3,273)</b>
<b>FINANCING ACTIVITIES</b>		
Net Change in Borrowing	50,132	-
<b>Net Cash Flow</b>	<b>559</b>	<b>(4,726)</b>
Add: Beginning Cash & Cash Equivalents	7,271	11,951
<b>Ending Cash &amp; Cash Equivalents</b>	<b>\$7,830</b>	<b>\$7,225</b>



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