

# 2021 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 2021. 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, 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 you value and exceptional personal service.

We had a successful year in terms of Membership and Share Growth reaching \$805 million in assets and Loan Growth and Net Income both recovered from the impact of the pandemic with strong results in 2021. Our overall financial results compare favorably with other credit unions across New York State as well as the entire Country.

The year 2021 included successfully and safely serving our Members as an essential business through the stages of the pandemic recovery, including maintaining hybrid work access for employees, while improving ways to deliver Member services electronically. The year also brought many new staff positions and employment opportunities in alignment with our growth. We supported our Members' evolving needs through continued enhancements to our remote technology, including: SMS texting, online scheduling software, expanding electronic signature solutions, mobile check and E-statement viewing, as well as other software upgrades and process efficiencies that will continue to enhance service channels for more consistent, streamlined experiences for Members. We deployed Interactive ATMs at all of our locations and implemented enhancements to our overall infrastructure. We continue to place an emphasis on personal financial management, providing our Members and the community with financial literacy education and tools.

As the world around us continues to evolve and change, and we work towards what may be considered as the "new normal", you can be confident your Board of Directors, Management, and Staff are committed to providing you 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 apply new digital and electronic efficiencies, while we remain focused on preserving our personal connection with our Members. You will be turning even more to the First Source Team for expertise and advice as you continually 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 your continued support.

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

## TREASURER'S REPORT

First Source Federal Credit Union experienced another year of solid growth during 2021 as total assets grew by over \$47 million to end the year at \$805.6 million.

First Source's financial performance was impacted by the pandemic in terms of net income in 2020, however we have recovered well in 2021 and added nearly \$9 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 strong with over \$78 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.

### Highlights from 2021

- **Total Assets = \$805,602,500**
- **Total Reserves = \$78,014,594**
- **Net Worth = 9.68%**
- **Loan to Share Ratio = 94.59%**
- **Return on Assets = 1.10%**

During the year, we helped Members continue to achieve their financial goals as total loans outstanding at the end of 2021 grew to over \$683 million; up nearly \$63 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 as the world continues to face many global challenges as it continues to recover from the pandemic.

*James Peterson, Board Treasurer*

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is the Members' official auditing team and representative in the review of overall financial operations. The review includes the oversight of Management and Staff to ensure that all regulations, procedures, and policies governing the Credit Union are followed.

Cash security and operational procedures were examined throughout the organization periodically during 2021. Accounting records and reports were reviewed for accuracy and reflect actual operations of the Credit Union. Internal controls were reviewed for effectiveness and monitored frequently to ensure adherence to Board policies and procedures.

A financial audit is completed annually by an independent Certified Public Accounting Firm. Records are audited and operations reviewed. The Credit Union is also examined on a regular basis by the National Credit Union Administration. We are pleased to report that the 2021 financial audit and the most recent NCUA examination both resulted in strong ratings. The Supervisory Committee commends the Board of Directors, Management, and Staff for their high level of performance and service to our Members.

*Byron W. Elias, Chairman*

**BALANCE SHEET**

Years Ended 12/31/2021 and 12/31/2020

<u>\$ (Dollars)</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$7,225,121	\$11,942,118
Cash on Deposit at Corporate Credit Union	93,648,253	105,027,664
Cash on Deposit at other Financial Institutions	6,302,660	4,715,209
Investments - Available for Sale	0	0
<b>Total Cash and Investments</b>	<b>107,176,035</b>	<b>121,684,991</b>
New Automobile	98,486,605	105,740,139
Used Automobile	134,261,827	115,875,050
Secured	27,557,957	22,618,391
Unsecured	52,058,939	51,136,290
Participation Loans	1,325,389	1,805,194
Member Business Loans	44,212,225	37,416,326
SBA PPP Loans	1,845,537	5,984,027
Credit Card	18,968,047	19,054,831
Real Estate	303,731,945	260,411,397
All Other	901,276	719,197
<b>Total Loans to Members</b>	<b>683,349,747</b>	<b>620,760,842</b>
Allowance for Loan Losses	(17,043,812)	(14,959,590)
<b>Total Loans, Net</b>	<b>666,305,935</b>	<b>605,801,252</b>
Mortgages Held For Sale	-	-
Accrued Interest Receivable	1,653,346	1,682,870
Property and Equipment, net of depreciation	8,441,433	7,312,629
NCUSIF deposit	6,655,167	5,834,118
Other Real Estate Owned	-	-
Prepaid expense and other assets	15,370,585	15,865,228
<b>Total Assets</b>	<b>\$805,602,500</b>	<b>\$758,181,088</b>

**LIABILITIES AND MEMBER EQUITY**

<b>LIABILITIES</b>		
Notes Payable	-	-
Accounts payable and accrued liabilities	5,181,471	5,634,704
<b>Total Liabilities</b>	<b>5,181,471</b>	<b>5,634,704</b>
<b>MEMBER EQUITY</b>		
Members' share accounts	722,406,435	683,390,712
Total Reserves	78,014,594	69,155,672
<b>Total Liabilities and Member Equity</b>	<b>\$805,602,500</b>	<b>\$758,181,088</b>

**STATEMENT OF INCOME**

Years Ended 12/31/2021 and 12/31/2020

<u>\$ (Dollars)</u>	<u>2021</u>	<u>2020</u>
<b>INTEREST INCOME</b>		
Interest on Loans	\$33,101,062	\$32,710,248
Interest on Investments	250,485	272,745
<b>Total Interest Income</b>	<b>33,351,546</b>	<b>32,982,992</b>
<b>INTEREST EXPENSE</b>		
Dividends on member's share accounts	3,306,875	5,535,120
Interest on notes payable	1	22,694
<b>Total Dividend Expense</b>	<b>3,306,875</b>	<b>5,557,814</b>
<b>Net Interest Income</b>	<b>30,044,671</b>	<b>27,425,179</b>
Provision for Loan Losses	4,100,000	8,000,000
<b>Net Interest Income after Provision for Loan Losses</b>	<b>25,944,671</b>	<b>19,425,179</b>
<b>NON-INTEREST INCOME</b>		
Fees, service charges and other income	10,338,048	8,545,014
<b>Total Non-Interest Income</b>	<b>10,338,048</b>	<b>8,545,014</b>
<b>Gross Income</b>	<b>36,282,720</b>	<b>27,970,193</b>
<b>NON-INTEREST EXPENSE</b>		
Compensation and Employee Benefits	15,669,262	13,805,840
Office Occupancy and Operations	9,060,054	8,051,142
Member Services, Education, and Promotion	1,561,254	1,307,616
Loan Servicing	2,089,692	1,931,068
Professional Fees	249,066	173,138
Other	434,773	472,078
<b>Total Non-Interest Expense</b>	<b>29,064,101</b>	<b>25,740,882</b>
<b>Total Net Operating Income</b>	<b>7,218,618</b>	<b>2,229,311</b>
Non-operating income/(expense)	1,737,498	1,023,987
Non-Operating gain/loss	(97,194)	(168,901)
<b>Net Income</b>	<b>\$8,858,922</b>	<b>\$3,084,397</b>

**STATEMENT OF CHANGES IN MEMBER EQUITY**

Years Ended 12/31/2021 and 12/31/2020

<u>\$ (Dollars)</u>	<u>2021</u>	<u>2020</u>
<b>REGULAR RESERVES</b>		
Balance at January 1	\$6,344,961	\$6,344,961
Transfers from Undivided Earnings	-	-
<b>Balance at December 31</b>	<b>6,344,961</b>	<b>6,344,961</b>
<b>UNDIVIDED EARNINGS</b>		
Balance at January 1	62,810,711	59,726,314
Net Income	8,858,922	3,084,397
Transfers from Regular Reserves	-	-
<b>Balance at December 31</b>	<b>71,669,633</b>	<b>62,810,711</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>\$78,014,594</b>	<b>\$69,155,672</b>

**STATEMENT OF CASH FLOW**

Years Ended 12/31/2021 and 12/31/2020

<u>\$ (Thousands)</u>	<u>2021</u>	<u>2020</u>
<b>OPERATING CASH FLOW</b>		
Net Interest Income	\$30,045	\$27,425
Fees/Other Income	11,978	9,400
Expenses	(33,164)	(33,741)
<b>Net Income</b>	<b>8,859</b>	<b>3,084</b>
<b>NON-CASH EXPENSE ADJUSTMENTS</b>		
Provision for Loan Loss	4,100	8,000
Depreciation	1,385	1,338
<b>Net Cash from Operations</b>	<b>14,344</b>	<b>12,422</b>
<b>MEMBER ACTIVITIES</b>		
New Loans	(299,697)	(208,395)
Loan Principal Repayment	235,092	184,749
<b>Net Loan Principal Flow</b>	<b>(64,605)</b>	<b>(23,646)</b>
Net Change in Checking	15,928	31,595
Certificates Issued	69,868	76,264
Certificates Matured or Redeemed	(126,347)	(77,773)
Net Change in Other Shares	79,567	83,803
<b>Net Share Balance Flow</b>	<b>39,016</b>	<b>113,889</b>
<b>INVESTING &amp; OTHER ACTIVITIES</b>		
Decrease/(Increase) in Deposits at Corp CU	9,792	(74,597)
Investment Sales/Maturities	-	-
Investment Purchases	-	-
<b>Net Investment Principal Flow</b>	<b>9,792</b>	<b>(74,597)</b>
Change in MHFS	-	-
Change in Other Assets	(260)	(2,612)
Change in Other Liabilities	(453)	(56)
Sale of Fixed Assets	-	-
Purchase of Fixed Assets	(2,514)	(2,238)
<b>Net Change in Other Assets/Liabilities</b>	<b>(3,227)</b>	<b>(4,906)</b>
<b>FINANCING ACTIVITIES</b>		
Net Change in Borrowing	-	(14,997)
<b>Net Cash Flow</b>	<b>(4,680)</b>	<b>8,165</b>
Add: Beginning Cash & Cash Equivalents	11,951	3,786
<b>Ending Cash &amp; Cash Equivalents</b>	<b>\$7,271</b>	<b>\$11,951</b>



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