



ANNUAL REPORT

2019



LEADERSHIP REPORT

2019 was a tremendous year for the credit union. It was one of the highest years in profitability, while also one of the busiest for the management staff. This year helped position the credit union toward a very bright future.

Over the previous few years, we completed due diligence, negotiations and planning for a new system-wide core data processing system. The conversion was held the weekend of December 6th. It consumed most of our resources and efforts throughout the year. Our older system was preventing us from being innovative with our products and less productive when servicing our members.

Fort Financial has a higher concentration of low-income members and services more underserved areas than most financial institutions. Because of this, Fort Financial was eligible to apply for a grant from the Community Development Financial Institution (CDFI) fund. The CDFI provides grants to institutions to help them grow by serving additional low-income or underserved areas.

In 2019, Fort Financial completed the conversion of its core data processing system.

Fort Financial applied for and was awarded a CDFI grant of \$680,000. In 2019, \$380,000 of the grant was received. This grant is being used to expand service areas that may otherwise not use a financial institution. It will provide lower cost loan programs and financial education courses and expand our electronic and remote service offerings.

Over \$65 million in new loans were funded and retained by the credit union and an additional \$14 million in first mortgages were originated. By refinancing higher rate loans from other financial institutions, our

LEADERSHIP REPORT

members were able to save over \$1 million in interest payments. This is the third year in a row that we have saved our members over \$1 million with loan refinancing.

The credit union continues to track member service levels on a monthly basis. This includes a contracted company that performs secret shopper service surveys. We also send service surveys to a random selection of members that visited our locations and to each member that opened a new account. Our service level increased in 2019 to an average composite score of 3.89 out of 4. That was tremendous considering during this time staff were operating in our old system while also practicing the transaction on our new one.

In 2020 we will continue efforts to maintain high service levels and increase our members access to services and products. We are making strives to be a better credit union and a leader within our community. I look forward to our launch in 2020.

By the Numbers:



\$65 million in
new loans
funded



\$14 million in
1st mortgages
originated



\$1 million+ in
member loan
savings

FINANCIAL REPORT

In 2019 the credit union continued to improve on its prior year's positive growth and earnings trends. The credit union had a Net Income of \$2,652,304 compared to \$1,502,410 in 2018. This surpassed last year's results, which at the time, was the best year the credit union has had from a Net Income standpoint in over 20 years. Earnings from the year resulted in a Return of Average Assets of 1.14%.

In almost all major Income Statement categories the credit union was within +/- 10% of budget. The Net Interest Income after the Provision for Loan Loss was \$8,156,391 with a positive variance for the year of 10.76%. Total Operating Expenses for the year were \$11,508,706. The overall variance for Total Operating Expenses were basically right at budget for the year, with a favorable variance of 1.59%. Total Other Operating Income was \$5,995,979 or 11.18% better than budget. All these factors helped contribute to the overall positive Net Income budget variance achieved in 2019.

During 2019 the credit union experienced solid growth in both loans and deposits. Loans outstanding ended the year at \$178.7MM, up over \$6.4MM from 2018. The largest increase in the portfolio came from first mortgages and indirect auto loans. Loans were over \$7.2MM ahead of budget in 2019. Deposit growth was also strong. Total Deposits finished the year up almost \$7.91MM at \$215.7MM, which was an increase of over 3.81%.

In summary, the credit union continued to achieve almost all of its financial goals for the year, and at the same time, maintain a healthy capital ratio and position itself to meet the challenges of the coming years. The credit union is classified as well capitalized by the NCUA with a capital ratio of 10.32% as of the end of 2019, which is up from 9.62% at the end of last year.

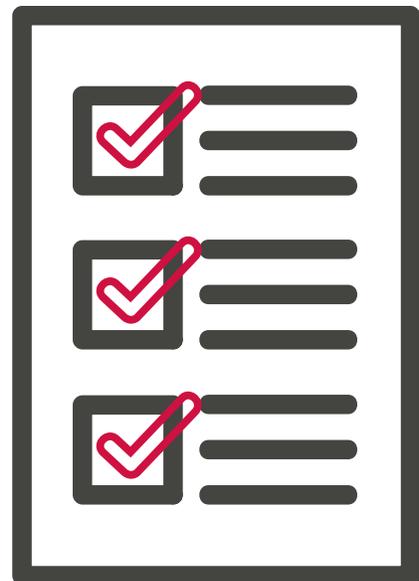
SUPERVISORY COMMITTEE REPORT

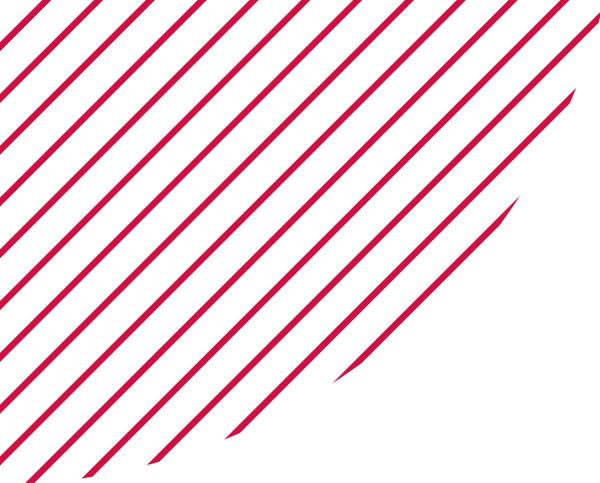
The Supervisory Committee is responsible for the continued review of credit union activities, ensuring that financial records are accurate and internal controls are in place to protect the credit union and our member's assets. The Committee accomplishes this by overseeing various audits, financial analysis and procedural reviews.

The firm of CliftonLarsonAllen is in the process of performing an audit of the December 31, 2019 financial statements. Their previous audit did not disclose any material discrepancies and indicated that accounting records are maintained in accordance with generally accepted accounting principles and federal credit union guidelines.

We appreciate our members' involvement and commitment to Fort Financial Credit Union. The Committee pledges to remain current on credit union issues and respond to any questions in 2020.

Scott Beam
Val Eakins
Karen Platt





FINANCIAL STATEMENT

ASSETS	2019	2018
Credit card loans	13,250,766	12,899,171
Real estate loans	38,966,075	34,824,811
All other loans	126,454,934	124,567,772
Allowance for loan loss	(1,910,751)	(1,687,023)
Cash on hand	4,472,422	4,727,484
Investments	40,525,892	37,748,252
Land and building	4,223,943	4,132,155
Other assets	11,709,412	11,304,341
TOTAL ASSETS	237,692,693	228,516,963
DEPOSITS	2019	2018
Liabilities		
Certificates	25,128,087	21,897,775
Share drafts	44,872,487	43,465,193
IRAs	13,782,119	14,199,739
All other deposits	131,939,181	128,233,248
TOTAL DEPOSITS	215,721,874	207,795,955
Other liabilities	1,114,369	1,365,323
Equity capital	20,856,450	19,355,685
TOTAL EQUITY AND LIABILITIES	237,692,693	228,516,963

OPERATING STATEMENT



INCOME	2019	2018
Interest on credit cards	1,024,559	959,075
Interest on other loans	7,504,565	6,497,529
Income on investments	951,634	584,777
Miscellaneous income	5,995,979	5,618,330
Other gains or losses	8,639	9,019
TOTAL INCOME	15,485,376	13,668,730
EXPENSES	2019	2018
Salaries (wages)	4,699,948	4,278,713
Benefits	1,572,169	1,615,341
Travel & conference	163,415	154,232
Association dues	26,405	23,526
Office occupancy	772,864	789,130
Office operations	3,086,741	3,076,583
Loan servicing	338,237	279,161
Outside services	681,278	526,733
Operating fee (NCUA)	60,881	56,963
Miscellaneous	106,769	139,698
TOTAL OPERATING EXPENSES	11,508,707	10,940,080
DISTRIBUTION OF INCOME	2019	2018
Dividends (all accounts)	681,448	498,021
Provisions for loan losses	642,452	728,000
Interest on borrowed money	464	219
NET INCOME TO UNDISTRIBUTED EARNINGS	2,652,305	1,502,410

LEADERSHIP

BOARD OF DIRECTORS

Jeff Leichty, Chairperson
Indiana Tech, Associate VP of IT

Shelly Musolf, Vice Chairperson
Indiana Tech, Controller

George Eldridge, Secretary
Dana Corporation, Retired

Steve Collins, Treasurer
Fort Financial Credit Union, President/CEO

Nick Bond, Board Member
Russ Moore Transmission, Former CEO

Sarah Delgadillo, Board Member
Wabash City Schools, Director of Global
Citizenship

Tammy Long, Board Member
TransUnion, Major Account Executive

Bryan Sharp, Associate Board Member
PERRY proTECH, Account Manager

SUPERVISORY COMMITTEE

Scott Beam, Committee Member
Taylor Communications, Former
Business Development Manager

Val Eakins, Committee Member
Ivy Tech, Executive Director of
Administration

Karen Platt, Committee Member
Fort Financial Credit Union,
Retired

EXECUTIVE COMMITTEE

Steve Collins, President & CEO

Rob Anderson, VP of Information
Technology

J. Arnold, VP of Lending

Tammy Hartman, VP of Sales &
Service

Michael Stratton, CFO & VP of
Strategic Services

