

annual report

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leadership report

2018 was a tremendous year for the credit union. The economic environment was strong. The stock market held solid gains, unemployment remained very low, and lending continued to be strong. Overall the credit union had an excellent year, both financially and operationally.

Our goal with loans is to help our members realize their dreams, such as a new car or home remodeling, and help them reach those dreams affordably. The credit union continued its focus on direct lending to our members, as opposed to lending through auto dealerships. This allows the credit union to offer better rates to the member, because additional fees are not paid to the dealer. Lending for vehicle purchases continued to be our primary source of loans. We also focused on home equity loans. We offered very competitive rates and low closing costs. Our home equity loan portfolio held the largest year-over-year growth percentage.

We offer to refinance existing loans if the member did not originally obtain the financing from us. We track the amount

of money we saved our members when refinancing to Fort Financial. In 2018 we saved our members over \$1.8 million dollars in interest. This is money back in their pockets.

Great improvements continued to be achieved with the quality of our lending portfolio. Delinquency in our portfolio fell from .6% to .5%. In addition, the amount the credit union had to expense to cover for loan losses also improved.

Operationally the credit union had several highlights. These include major steps forward to improve our technology. We finalized our agreements to convert to a new core banking platform. This platform will provide the foundation to help the credit union grow and expand well into the future. These technologies will improve our members' access to their accounts and services, as well as provide



leadership report

improved efficiencies internally. Our conversion will be completed at the end of 2019.

We hold quality service as a priority, and each year we measure our members' impression of our service. In 2018 we achieved a rating of 3.84 out of 4 (9.6 out of 10). This is an exceptional service rating for the financial services industry. We also launched an annual satisfaction survey to benchmark annually our members' satisfaction and our abilities to meet their needs.

Annually we conduct an employee satisfaction and engagement survey of our staff. An engaged staff is better motivated to provide better service and help make recommendations on how we can become an even better credit union. In 2018 the credit union earned the award for the highest improvement in employee engagement nationally, and we exceeded the industry average. I am very proud of our efforts at increasing and maintaining engaged staff.

The improvements and performance in

2018 were outstanding. We not only completed a great year, but we established a foundation for several great years ahead to continue to serve our members and be relevant to their financial lives.

Steve R. Collins, President and CEO

Jeff Leichty, Board Chairman



financial report

In 2018 the credit union was able to continue to improve on the prior year's positive growth and earnings trends. The credit union had a net income of \$1,502,410 compared to \$894,973 in 2017. This was by far 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 .67%.

In all major income statement categories, the credit union was within +/- 10% of budget. The net interest income after the provision for loan loss was \$6,815,140 with a positive variance for the year of 9.41%. Total operating expenses for the year were \$10,940,079. The overall variance for total operating expenses were basically right at budget for the year with a positive variance of 0.51%. Total other operating income was \$5,618,311 or 6.79% better than budget. All these factors helped contribute to the overall positive net income budget variance achieved in 2018.

During 2018 the credit union experience solid grow in both loans and deposits. Loans outstanding ended the year at \$172.3MM up over \$2.5MM from 2017. The largest increase in the portfolio came

from home equity and used auto loans. Loans were over \$10MM ahead of budget in 2018. Deposit growth was also strong. Total deposits finished the year up almost \$4.1MM at \$207.8MM, which was \$3.7MM over budget.

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 9.62% as of the end of 2018, which is up from 9.13% at the end of last year.

Michael Stratton, CFO & VP of Strategic Services



financial statement

ASSETS

	2018	2017
credit card loans	12,899,171	12,345,115
real estate loans	34,824,811	37,147,887
all other loans	124,567,772	120,266,205
allowance for loan loss	(1,687,023)	(1,570,526)
cash on hand	4,727,484	4,891,077
investments	37,748,252	34,783,613
land and building	4,132,155	4,424,387
other assets	11,304,341	10,940,229
TOTAL ASSETS	228,516,963	223,227,987

DEPOSITS

	2018	2017
liabilities		
certificates	21,897,775	22,998,069
share drafts	43,465,193	40,717,057
IRAs	14,199,739	15,122,780
all other deposits	128,233,248	124,902,853
TOTAL DEPOSITS	207,795,955	203,740,759
other liabilities	1,365,323	1,418,668
equity capital	19,355,685	18,068,560
TOTAL EQUITY AND LIABILITIES	228,516,963	223,227,987

operating statement

INCOME

	2018	2017
interest on credit cards	959,075	882,348
interest on other loans	6,497,529	6,137,645
income on investments	584,777	421,327
miscellaneous income	5,618,330	5,241,135
other gains or losses	9,019	(20,587)
TOTAL INCOME	13,668,730	12,661,868

EXPENSES

	2018	2017
salaries (wages)	4,278,713	3,981,179
benefits	1,615,341	1,461,568
travel & conference	154,232	143,083
association dues	23,526	10,906
office occupancy	789,130	739,011
office operations	3,076,583	3,027,683
loan servicing	279,161	285,751
outside services	526,733	619,295
operating fee (NCUA)	56,963	47,975
miscellaneous	139,698	91,857
TOTAL OPERATING EXPENSES	10,940,081	10,408,308

DISTRIBUTION OF INCOME

	2018	2017
dividends (all accounts)	498,021	545,284
provisions for loan losses	728,000	802,200
interest on borrowed money	219	8
NET INCOME TO UNDISTRIBUTED EARNINGS	1,502,409	906,068

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Indiana Tech, Controller

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Dana Corporation, Retired

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Development Manager

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Division Supervisor

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Director of Business Development

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Tammy Hartman, VP of Sales & Service

Michael Stratton, CFO & VP of Strategic
Services

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Fort Financial Credit Union, Retired

