

# 2023 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 2023, as we celebrated our 85<sup>th</sup> Anniversary! 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 just over \$1 billion in assets. Loan Growth and Net Income were also strong in 2023. 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 2023, we deployed Video Banking services, additional electronic signature ability, and Coinstar coin machines in our branches, and opened our newest high-tech and high-touch branch, combining the latest technology with our First Source personal touch, in Washinton Mills. We implemented many enhancements to our products and services, and physical and technical infrastructures. Our commitment to our communities remained strong through continued emphasis on financial management education, staff volunteerism expanded community outreach, and programs such as first-time Home Buyer workshops, as well as the launch of our Community Hero Consumer Loan Program.

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!

*Raymond Philo, MA, Board Chairman*  
*Tom Neumann, President/CEO*

## TREASURER'S REPORT

First Source Federal Credit Union experienced another year of solid growth during 2023 as total assets grew by over \$134 million to end the year at \$1.03 billion.

First Source's overall financial performance in 2023 was strong and added nearly \$7 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 \$93.6 million in reserves and a Net Worth Ratio of 9.10%, 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 2023 grew to over \$969.7 million.

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

*James Peterson, Board Treasurer*

### Highlights from 2023

- Total Assets = \$ 1,028,957,311
- Total Loans = \$ 969,732,485
- Total Reserves = \$ 93,586,516
- Net Worth = 9.10%
- Return on Assets = .68%

## 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, 2023, 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 2023 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 12/31/2023 and 12/31/2022

	<u>\$ (Dollars)</u>	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>			
Cash and Cash Equivalents		\$6,160,752	\$7,830,299
Cash on Deposit at Corporate Credit Union		33,803,392	25,878,240
Cash on Deposit at other Financial Institutions		10,743,982	8,839,392
Investments - Available for Sale		0	0
<b>Total Cash and Investments</b>		<b>50,708,126</b>	<b>42,547,930</b>
New Automobile		134,430,807	121,870,185
Used Automobile		216,005,850	168,574,715
Secured		41,651,412	32,916,486
Unsecured		75,420,108	60,489,676
Participation Loans		-	7,591
Member Business Loans		85,580,876	63,719,072
SBA PPP Loans		-	-
Credit Card		23,246,129	19,829,442
Real Estate		392,428,507	367,473,125
All Other		968,794	980,174
<b>Total Loans to Members</b>		<b>969,732,484</b>	<b>835,860,467</b>
Allowance for Loan Losses		(20,362,387)	(18,999,142)
<b>Total Loans, Net</b>		<b>949,370,097</b>	<b>816,861,325</b>
Mortgages Held For Sale		-	-
Accrued Interest Receivable		2,814,036	2,138,406
Property and Equipment, net of depreciation		8,666,004	7,998,035
NCUSIF deposit		8,390,251	7,105,500
Other Real Estate Owned		-	-
Prepaid expense and other assets		9,008,797	18,134,944
<b>Total Assets</b>		<b>\$1,028,957,311</b>	<b>\$894,786,139</b>
<b>LIABILITIES AND MEMBER EQUITY</b>			
<b>LIABILITIES</b>			
Notes Payable		75,000,000	50,000,000
Accounts payable and accrued liabilities		6,560,140	6,356,815
<b>Total Liabilities</b>		<b>81,560,140</b>	<b>56,356,815</b>
<b>MEMBER EQUITY</b>			
Members' share accounts		853,810,655	751,827,677
Total Reserves		93,586,516	86,601,647
<b>Total Liabilities and Member Equity</b>		<b>\$1,028,957,311</b>	<b>\$894,786,139</b>

**STATEMENT OF INCOME**

Years Ended 12/31/2023 and 12/31/2022

	<u>\$ (Dollars)</u>	<u>2023</u>	<u>2022</u>
<b>INTEREST INCOME</b>			
Interest on Loans		\$49,184,633	\$37,246,528
Interest on Investments		1,981,294	962,104
<b>Total Interest Income</b>		<b>51,165,927</b>	<b>38,208,632</b>
<b>INTEREST EXPENSE</b>			
Dividends on member's share accounts		12,075,937	3,651,570
Interest on notes payable		2,928,261	408,097
<b>Total Dividend Expense</b>		<b>15,004,198</b>	<b>4,059,667</b>
<b>Net Interest Income</b>		<b>36,161,729</b>	<b>34,148,965</b>
Provision for Loan Losses		5,900,000	5,300,000
<b>Net Interest Income after Provision for Loan Losses</b>		<b>30,261,729</b>	<b>28,848,965</b>
<b>NON-INTEREST INCOME</b>			
Fees, service charges and other income		11,853,389	11,241,351
<b>Total Non-Interest Income</b>		<b>11,853,389</b>	<b>11,241,351</b>
<b>Gross Income</b>		<b>42,115,119</b>	<b>40,090,317</b>
<b>NON-INTEREST EXPENSE</b>			
Compensation and Employee Benefits		19,098,815	17,555,338
Office Occupancy and Operations		10,342,074	9,893,370
Member Services, Education, and Promotion		1,832,138	1,768,150
Loan Servicing		3,765,296	2,747,081
Professional Fees		336,832	259,404
Other		977,417	585,535
<b>Total Non-Interest Expense</b>		<b>36,352,571</b>	<b>32,808,877</b>
<b>Total Net Operating Income</b>		<b>5,762,548</b>	<b>7,281,440</b>
Non-operating income/(expense)		1,222,322	1,305,613
Non-Operating gain/loss		-	-
<b>Net Income</b>		<b>\$6,984,870</b>	<b>\$8,587,052</b>

**STATEMENT OF CHANGES IN MEMBER EQUITY**

Years Ended 12/31/2023 and 12/31/2022

	<u>\$ (Dollars)</u>	<u>2023</u>	<u>2022</u>
<b>REGULAR RESERVES</b>			
Balance at January 1		\$0	\$6,344,961
Transfers to Undivided Earnings		-	(6,344,961)
<b>Balance at December 31</b>		<b>-</b>	<b>-</b>
<b>UNDIVIDED EARNINGS</b>			
Balance at January 1		86,601,646	71,669,633
Net Income		6,984,870	8,587,052
Transfers from Regular Reserves		-	6,344,961
<b>Balance at December 31</b>		<b>93,586,516</b>	<b>86,601,646</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>\$93,586,516</b>	<b>\$86,601,646</b>

**STATEMENT OF CASH FLOW**

Years Ended 12/31/2023 and 12/31/2022

	<u>\$ (Thousands)</u>	<u>2023</u>	<u>2022</u>
<b>OPERATING CASH FLOW</b>			
Net Interest Income		\$51,166	\$38,209
Fees/Other Income		13,076	12,547
Expenses		(57,257)	(42,169)
<b>Net Income</b>		<b>6,985</b>	<b>8,587</b>
<b>NON-CASH EXPENSE ADJUSTMENTS</b>			
Provision for Loan Loss		5,900	5,300
Depreciation		977	1,033
<b>Net Cash from Operations</b>		<b>13,862</b>	<b>14,920</b>
<b>MEMBER ACTIVITIES</b>			
New Loans		(368,323)	(385,470)
Loan Principal Repayment		229,914	229,615
<b>Net Loan Principal Flow</b>		<b>(138,409)</b>	<b>(155,855)</b>
Net Change in Checking		(1,906)	6,176
Certificates Issued		195,446	91,506
Certificates Matured or Redeemed		(22,614)	(86,513)
Net Change in Other Shares		(68,943)	18,252
<b>Net Share Balance Flow</b>		<b>101,983</b>	<b>29,421</b>
<b>INVESTING &amp; OTHER ACTIVITIES</b>			
Decrease/(Increase) in Deposits at Corp CU		(9,830)	65,233
Investment Sales/Maturities		-	-
Investment Purchases		-	-
<b>Net Investment Principal Flow</b>		<b>(9,830)</b>	<b>65,233</b>
Change in MHFS		-	-
Change in Other Assets		7,167	(3,745)
Change in Other Liabilities		(81)	1,043
Sale of Fixed Assets		-	-
Purchase of Fixed Assets		(1,645)	(590)
<b>Net Change in Other Assets/Liabilities</b>		<b>5,441</b>	<b>(3,292)</b>
<b>FINANCING ACTIVITIES</b>			
Net Change in Borrowing		25,285	50,132
<b>Net Cash Flow</b>		<b>(1,668)</b>	<b>559</b>
Add: Beginning Cash & Cash Equivalents		7,830	7,271
<b>Ending Cash &amp; Cash Equivalents</b>		<b>\$6,162</b>	<b>\$7,830</b>



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