



Foundations For **The Future**



2016 ANNUAL REPORT

Freedom Credit Union is federally insured by the National Credit Union Administration. Shares and deposits in excess of NCUA limits are fully insured by the Massachusetts Credit Union Share Insurance Corporation. Equal housing lender.

PRESIDENT'S REPORT



Glenn W. Welch



Lawrence F. Bouley

We are truly optimistic about the future of business in Western Massachusetts. The unemployment rates in Hampden, Hampshire, and Franklin Counties have all continued to drop over the past several years. At the same time, with more residents working and businesses expanding, consumer and business confidence has grown.

The outlook for Freedom Credit Union remains bright, as well. At Freedom, we continue to see an increase in new members, in part, due to the continued consolidation in the local banking industry. Over the past two years, there have been at least five bank mergers up and down the Pioneer Valley. One of the results of these mergers is that Freedom is now the largest credit union or bank headquartered in Springfield.

This consolidation of local community banks allows us the opportunity to better serve individual and business members because every decision at Freedom Credit Union is local, and always has been. Our Credit Committee reviews every loan application that comes into the credit union and they work collaboratively to grant as many loans as they feasibly can, in a safe and sound manner.

Since January 2016, our loan volumes in Commercial Lending and Auto Loans have increased 90% and 20%, respectively. This year, we also received good news about our Mortgage Loan Market share in the Pioneer Valley. Combining the mortgage figures from Hampden, Hampshire and Franklin counties, we were the 8th ranked financial institution overall and the 5th ranked lender with headquarters in Western MA.

Another example of increasing service to our members is the fact that we opened a Call Center in the fall of 2016. By opening the Call Center, we have centralized the phone calls coming into the credit union, which means calls are answered sooner. This allows our branch staff to serve our members more effectively.

To our membership, we would like to thank every individual and business member for the opportunity to be your President and Board Chairman. As we look forward to 2017, we appreciate your confidence in Freedom Credit Union. Though it is difficult to make predictions about the future, one thing is very clear to us: Freedom Credit Union will always be committed to serving the financial needs of our members.

Respectfully submitted,

Glenn S. Welch
President and CEO

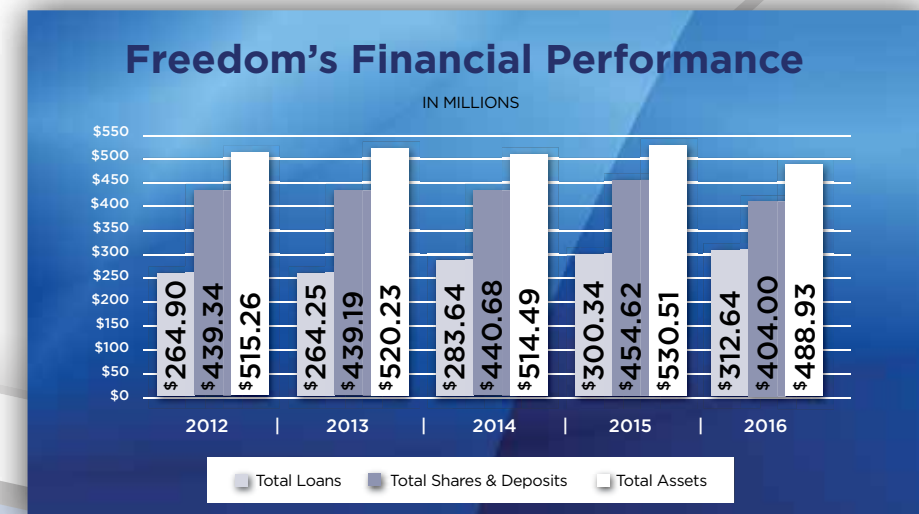
Lawrence F. Bouley
Chairman, Board of Directors



HIGHLIGHTS FROM 2016

FINANCES

- Freedom's net income was nearly \$2.4 million in 2016 versus a budget of \$1.8 million. In 2015, the credit union had net income of \$1.3 million.
- For 2016, the loan portfolio increased by \$12.3 million or 4.1%
- Net worth increased from 13.18% at year-end 2015 to 14.79% as of 12/31/2016
- Return on average assets was 0.47% for 2016
- Total deposits decreased over last year by \$50.6 million as the Credit Union restructured its balance sheet to increase profitability and reduce risk



LENDING

- In 2016, Commercial Loan volume increased 90% and Auto Loan volume was up 20%
- Freedom was the #5 local lender in mortgage market share throughout the Pioneer Valley
- Loan delinquencies were down 40% at the end of 2016

BRANCH ADMINISTRATION

- Since 2015, total balances of Money Market, Share, and Checking Accounts grew by 17%, 7%, and 7%, respectively
- The number of Credit Union Partners increased by 11% in 2016. Through this program, Freedom provides area companies a free, comprehensive benefits package to offer their employees and family members.
- CUSO Financial Services, L.P. at Freedom Credit Union opened 78 new accounts in 2016, increasing investment balances by over \$8 million.

COMMUNITY DONATIONS

- Throughout 2016, Freedom contributed over \$70,000 to community events and non-profit organizations in the following areas: education, health care, affordable housing, financial education, and mentoring, just to name a few.

Consolidated Statements of Financial Condition

ASSETS	2016	2015
	(In thousands)	
Cash and cash equivalents	\$ 2,438	\$ 2,307
Interest bearing deposits	2,480	2,480
Securities available for sale, at fair value	119,330	156,422
Securities held to maturity, at amortized cost	15,517	33,773
Loans, net of allowance for loan losses of \$2,303 in 2016 and \$2,336 in 2015	310,335	298,381
Property and equipment, net	6,329	6,556
Property held for sale	375	375
Accrued interest receivable	1,081	1,175
Federal Home Loan Bank stock, at cost	1,890	1,621
National Credit Union Share Insurance Fund deposit	4,023	4,252
Credit Union owned life insurance	13,319	15,662
Officer Loan Receivable	7,352	4,886
Other assets	4,464	2,537
Total assets	<u>\$ 488,933</u>	<u>\$ 530,427</u>
LIABILITIES AND MEMBERS' EQUITY		
Member share accounts	\$ 403,993	\$ 454,618
Borrowings	10,689	3,945
Accrued expenses and other liabilities	2,991	2,067
Total liabilities	<u>417,673</u>	<u>460,630</u>
Regular reserves	8,264	8,264
Members' equity	64,065	61,693
Accumulated other comprehensive income	(1,069)	(160)
Total members' equity	<u>71,260</u>	<u>69,797</u>
Total liabilities and members' equity	<u>\$ 488,933</u>	<u>\$ 530,427</u>

Consolidated Statements of Income

	2016	2015
	(In thousands)	
Interest income:		
Loans, including fees	\$ 13,493	\$ 12,966
Securities	2,635	3,568
Interest-bearing deposits and other	(147)	19
Total interest income	<u>15,981</u>	<u>16,553</u>
Interest expense:		
Members' shares	2,363	3,249
Borrowings	38	6
Total interest expense	<u>2,401</u>	<u>3,255</u>
Net interest income	13,580	13,298
Provision for loan losses	350	600
Net interest income, after provision for loan losses	<u>13,230</u>	<u>12,698</u>
Non-interest income:		
Member service fees	2,072	1,783
Gain on sale of securities available for sale	195	624
Mortgage banking income	618	307
Increase in cash surrender value of life insurance	429	445
Other	1,486	1,310
Total non-interest income	<u>\$ 4,800</u>	<u>\$ 4,469</u>
Non-interest expenses:		
Salaries and employee benefits	8,851	8,702
Occupancy and equipment	5,007	5,098
Education and promotion	577	533
Loan service expense	367	404
Professional and outside services	368	611
Travel and conferences	250	255
Other general and administrative	239	257
Total non-interest expenses	<u>15,659</u>	<u>15,860</u>
Net income	<u>\$ 2,371</u>	<u>\$ 1,307</u>

AWARD-WINNING EMPLOYEES

At the annual dinner in November, Glenn Welch, President and CEO of Freedom Credit Union, presented the President's Award to Eugene Marceau, Network Administrator. The award recognizes an employee who is committed to professional excellence, takes pride in the credit union, motivates those around them, and represents the credit union with an overall sense of integrity. Here is a portion of his nomination. *"When we met during the interview process, Eugene was not only impressive with his seasoned knowledge, but he carried himself with an uncanny natural and humble confidence. We chose him without hesitation and couldn't be happier today about that decision. He is of great character and works extremely well under pressure, and let me tell you...technology is stressful. Eugene is committed to the importance of keeping systems up and running and demonstrates that often by performing time-sensitive tasks during hours that most of us are sleeping. This is just another example of his professional commitment to the credit union and its business continuity."*



Every quarter, the credit union recognizes an employee who goes "above and beyond" in the service to members and fellow colleagues. Pictured are the four winners from 2016.



Nickel Hay
Loan Servicing



Natasha Cassidy
Branch Administration/
Marketing



Lynn Orr-Walker
Human Resources



Rose Ormeche
Loan Servicing

BOARD OF DIRECTORS



Lawrence F. Bouley, Chairman
Chair, Investment Committee



Donald C. Emerson, Vice Chairman
Chair, ALCO Committee
Chair, Nominating Committee
Chair, Security Committee



Louis G. Guillette, Treasurer



William T. Carey, Clerk
Chair, Auditing Committee



John R. Reigner, Security Officer
Past Chairman | 2009 - 2012



Richard T. Grover
Past Chairman | 2002 - 2004



Brian D. Harrington
Chair, Regulatory/
Compliance Committee



William G. O'Brien
Past Chairman | 2006 - 2009
Chair, Site Merger Committee



F. Rory Santaniello
Chair, Credit Committee
Chair, Training Committee



Donald R. Senecal
Chair, By Laws Committee
Chair, Personnel Committee



Charles J. Simonich
Past Chairman | 2012 - 2015
Chair, Corporate Giving Committee

BRANCH LOCATIONS

HAMPDEN COUNTY

Chicopee
1976 Memorial Drive
413-532-5085

Downtown Springfield
1976 Main Street
413-505-5701

Feeding Hills
959 Springfield Street
413-786-6200

Ludlow
645 Center Street
413-505-5800

Putnam Academy (Springfield)
1300 State Street
413-505-5850

Sixteen Acres (Springfield)
296 Cooley Street
413-505-5700

HAMPSHIRE COUNTY

Easthampton
422B Main Street
413-527-7702

Northampton
226 King Street
413-586-3590

FRANKLIN COUNTY

Greenfield
74 Main Street
413-774-4182

Turners Falls
191 Avenue A
413-774-9909

MEMBER CONTACT CENTER

413-739-6961 | 800-821-0160

HOURS

Monday, Tuesday, Wednesday 8:00a – 4:30p
Thursday, Friday 8:00a – 6:00p
Saturday 8:30a – 1:00p



www.freedom.coop

Editor: *William Russo-Appel, Marketing Officer, Freedom Credit Union*
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Freedom Credit Union is federally insured by the National Credit Union Administration.

