

2019 ANNUAL REPORT

BRANCHING OUT



PRESIDENT'S REPORT

Looking back at 2019, it was clear that the theme for our 2019 Annual Report would be branching out. In March, we successfully merged with West Springfield Federal Credit Union, which marked the opening of our 11th branch location while allowing us to welcome approximately 3,000 new members to our Freedom family.

In the summer, we extended our reach into financial services with our new, in-house Investment Services Division, growing and enhancing a service we previously outsourced. Bringing investment services in-house made sense for our members and our future growth. We wanted to ensure we were meeting our members' needs by helping them reach their financial goals.

As in years past, our major charitable initiatives in 2019 included the annual Summer Food Drive to benefit the Food Bank of Western Massachusetts, as well as the "Bed for Every Child" and "Cherish the Children" campaigns. In all, Freedom provided charitable and sponsorship contributions to more than 110 local beneficiaries, in addition to our annual scholarships for qualifying student members.

And although this happened early in 2020, we also branched out south of the Massachusetts border into Connecticut, expanding our field membership to include Hartford and Tolland counties.

Speaking of 2020, we have faced unprecedented challenges, both as an institution and a community, due to the coronavirus pandemic. In March, the Commonwealth determined that only essential businesses could remain open, which included credit unions. Although our lobbies were closed, we remained available for your banking needs during these difficult times. In addition, we provided relief to our members in the form of payment deferments. We created a new unsecured loan product, the Freedom Relief Loan, and provided Payroll Protection Program (PPP) loans to member businesses. We also reached out to the community with monetary support for food pantries, hospitals and our first responders.

While things are improving in our state, we are not out of the woods yet. This pandemic has a long-term impact, but Freedom has been here for the community for 98 years, and we will continue to provide our support through this crisis and beyond, while adhering to state guidelines to ensure the health and safety of our members, employees and the public. We appreciate how you, our members, have adapted to this new way of banking.

It was our successes in 2019 and previous years that provided the stability we need to face the challenges of 2020 head on, while allowing us to offer much-needed help and support to our members.

Thank you for your continued trust and patronage. We hope you join us in celebrating our shared 2019 accomplishments.



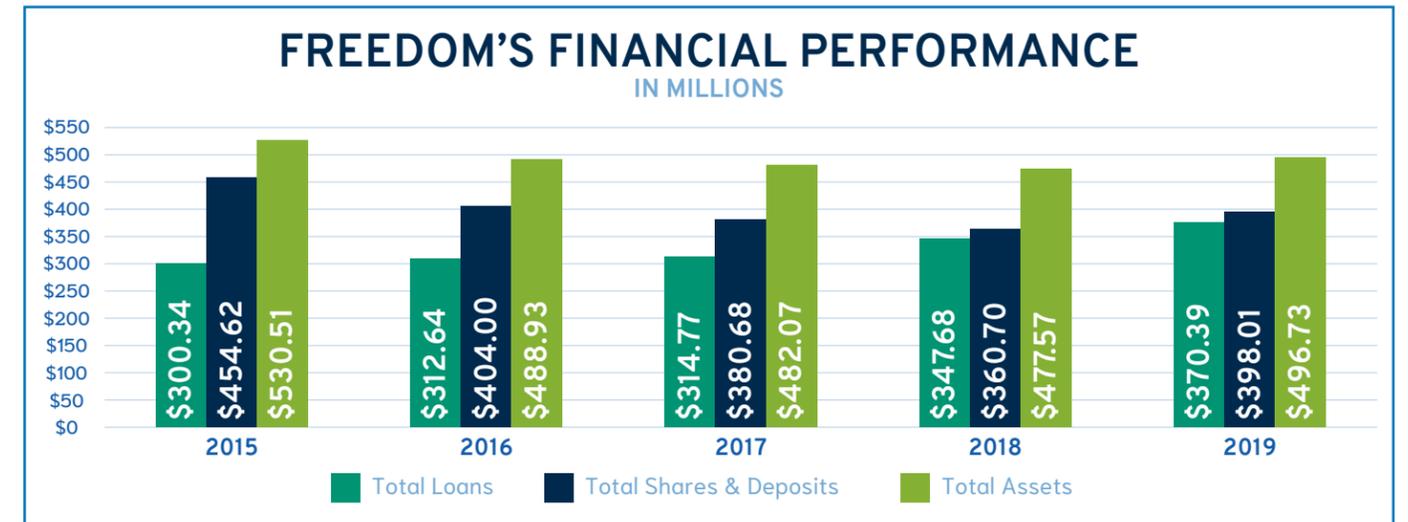


Glenn S. Welch
President and CEO



Donald C. Emerson
Chairman, Board of Directors

HIGHLIGHTS FROM 2019



FINANCES

- Total loans increased over last year by 6.5%; all major loan types account for this increase
- Total deposits increased over last year by 10.3%, where the majority of this increase was reflected in share savings and certificates of deposit
- Solid earnings for 2019 at nearly \$2.9 million, reflecting a return on average assets (ROA) of 52 basis points or 0.52%
- Net worth ended the year at 17.26%, substantially higher than our peers whose average was 11.67%

LENDING

- Maintained Top Five Marketshare status for mortgage lending in the Pioneer Valley
- Secondary Market sales of mortgage loans increased 37%
- Government loan programs (FHA, VA, USDA, MassHousing) increased by \$1.2 million
- Home Equity Loan products up 12%

OPERATIONS

- Integrated all operational systems for merger with West Springfield Federal Credit Union (WSFC)
- Implemented ApplePay and other mobile wallets
- Implemented eSign for branch member documents
- Launched POP Video Chat in our member Contact Center

RETAIL

- Added 11th branch location through merger with WSFC
- Onboarded new employees and members for the merger
- Renovated the West Springfield branch office
- Implemented new electronic member surveys
- Implemented a Reward Checking program

MARKETING

- Created detailed member communication pieces for merger with WSFCU
- Launched new website in December 2019

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

As of December 31, 2019, and 2018

ASSETS

	2019	2018
	(In Thousands)	
Cash and cash equivalents	\$ 6,817	\$ 2,256
Interest bearing deposits	7,429	1,995
Securities available for sale, at fair value	60,205	73,590
Securities held to maturity, at amortized cost	6,969	9,204
Loans to members, net of allowance for loan losses of \$2,425 and \$2,181 respectively	367,968	345,508
Factoring receivable	9,169	7,852
Accrued interest and fees receivable	1,089	1,092
Property and equipment, net of accumulated depreciation	6,555	5,803
Federal Home Loan Bank of Boston Stock, at cost	952	2,334
Other real estate owned	1,257	328
Officer life insurance loan receivables	8,268	8,035
NCUSIF deposit	3,647	3,571
Investment in life insurance	14,415	14,047
Prepaid expenses and other assets	1,991	1,963
Total assets	<u>\$ 496,731</u>	<u>\$ 477,578</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Members' shares and savings accounts	\$ 398,005	\$ 360,705
Borrowings	7,500	34,015
Accounts payable and accrued expenses	5,347	3,720
Total liabilities	<u>\$ 410,852</u>	<u>\$ 398,440</u>

Members' Equity:

Regular reserves	8,264	8,264
Members' equity	77,639	72,087
Accumulated other comprehensive income	(24)	(1,213)
Total members' equity	<u>85,879</u>	<u>79,138</u>
Total liabilities and members' equity	<u>\$ 496,731</u>	<u>\$ 477,578</u>

CONSOLIDATED STATEMENTS OF INCOME

	2019	2018
	(In Thousands)	
Interest income:		
Interest on loans	\$ 15,810	\$ 14,295
Interest on investments	<u>2,362</u>	<u>3,421</u>
Total interest income	18,172	17,716
Interest expense:		
Dividends on shares and savings accounts	1,946	1,560
Interest on borrowed funds	<u>690</u>	<u>852</u>
Total interest expense	<u>2,636</u>	<u>2,412</u>
Net interest income	15,536	15,304
Provision for loan losses	1,000	150
Net interest income, after provision for loan losses	<u>14,536</u>	<u>15,154</u>
Non-interest income:		
Member service fees	2,929	2,313
Gain on sale of investment securities	320	33
Loss on sale of fixed assets	0	(83)
Mortgage banking income	514	317
Increase in cash surrender value of life insurance	368	366
NCUA assessment refund	74	330
Other non-interest income	<u>2,564</u>	<u>2,167</u>
Total non-interest income	<u>6,769</u>	<u>5,443</u>
Operating expenses:		
Compensation and benefits	9,661	8,675
Office occupancy and operations	6,071	5,270
Education and promotion	853	962
Loan service expense	415	452
Professional and outside services	759	681
Travel and conferences	234	254
Other	<u>409</u>	<u>179</u>
Total operating expenses	<u>18,402</u>	<u>16,473</u>
Net income, net of provision for loan losses	<u>\$ 2,873</u>	<u>\$ 4,124</u>

COMMUNITY SUPPORT

As a credit union, we are a cooperative financial institution owned by our members, and they have a say in how Freedom Credit Union is run. We embrace a cooperative spirit and that is clearly reflected in the many charities, organizations and events we are able to support for the betterment of our entire western Massachusetts community.



We were so excited in March to officially celebrate our merger with West Springfield Federal Credit Union and the opening of our new West Springfield branch with an open house and ribbon cutting.



We enjoyed chatting with residents at the North West New England Home Show at Franklin County Technical School in March, helping to make dreams of home ownership a reality.



During the summer, we proudly supported the Springfield BID's Downtown Farmers Market, bringing the rural farm to urban tables.



We participated in the Springfield BID's Downtown Flannel Friday on Market Street in October, featuring live music, yard games, great food and a sense of community.

Many of our staff and members celebrated Puerto Rican culture at the annual Puerto Rican Parade in Springfield in September.



Our staff and members enjoyed a beautiful autumn day at the 10th Annual Great Falls Festival in Turners Falls in October



What are the holidays without ugly holiday sweaters? Our staff got into the spirit on our Ugly Sweater Day across all our locations. Pictured: Team members in Springfield and Northampton.



Mama Mia! We were delighted to support The Gray House 28th Annual Spaghetti Fundraiser at the Greek Cultural Center in March. The benefit supports programs operated by the neighborhood social and educational center founded nearly four decades ago.

Our 12th Annual Cherish the Children campaign, in cooperation with the local Area Offices of the Massachusetts Department of Children and Families, provided gifts for 600 children in need, helping holiday wishes come true.

AWARD-WINNING EMPLOYEES

As part of our Annual Holiday Dinner in 2019, President and CEO Glenn Welch bestowed the distinguished President's Award to Lynn Orr-Walker, Payroll and Benefits Coordinator. The President's Award honors an employee who is committed to professional excellence, takes pride in the credit union and in him- or herself, is a strong team player and communicator, motivates others and represents the credit union with an overall sense of integrity.



Glenn Welch with President's Award winner, Lynn Orr-Walker

Here is a portion of Lynn's nomination:

"Lynn was nominated because she is a motivator and a team player who is honest, caring and humble. Truly an unsung hero of Freedom's behind the scenes operations, she is also our friend, trusted adviser, role model and coach. Lynn, "mom" to our Freedom family, is always there when we need someone to listen. Her beliefs and life experiences allow her to offer uplifting advice that can help guide us when we need direction. Many of us then leave her office feeling amazing after a heart-to-heart talk. Lynn takes pride in herself as well as her work and sets the right expectations, preserving the integrity of Freedom."

In 2017, Freedom Credit Union implemented the GEM (Going the Extra Mile) Recognition Program. The following employees received Certificates of GEM Acknowledgment for their out-of-the-ordinary acts of kindness, bright ideas and/or great suggestions. Congratulations to all—and let's keep identifying those GEMs among us!

2019 GEM RECIPIENTS

- Linette Arroyo, Member Service Representative, Main Office
- Larisa Biley, Head Teller, West Springfield
- Evelyn Chavez, Teller, West Springfield
- Cindy D'Andrea, Teller, West Springfield
- Lisa Deprey, Teller, West Springfield
- Michelle Martinez, Member Service Representative, Main Office
- Mary Pagliaro, Assistant Branch Officer, Sixteen Acres
- Susan Pevey, Commercial Loan Assistant, Member Business Lending, Boylston
- Lisa Reburn, Computer Network Technician, IT, Boylston



BOARD OF DIRECTORS

Donald C. Emerson, Chairman

Louis G. Guillette, Vice Chairman

William T. Carey, Treasurer

John R. Reigner, Security Officer
Past Chairman, 2009–2012

Lawrence Bouley, Director
Past Chairman, 2015–2018

Richard T. Grover, Director
Past Chairman, 2002–2004

Brian D. Harrington, Director, Clerk

William G. O'Brien, Director
Past Chairman, 2006–2009

F. Rory Santaniello, Director

Donald R. Senecal, Director

William Flaherty, Director
Board of Directors, Vice President,
West Springfield Federal Credit Union, 2011–2019

SENIOR MANAGEMENT

Glenn S. Welch
President & Chief Executive Officer

Louis "Jay" Scungio
Senior Vice President & Chief Financial Officer

Gina Noblit
Vice President, Human Resources

Kara B. Herman
Vice President, Retail Administration

Cheryl L. Podgorski
Vice President, Operations

Jeffrey M. Smith
Vice President & Chief Loan Officer

BRANCH OFFICERS

Carmelinda Menas
Main Office and Putnam Academy

Michelle Caron
Feeding Hills

Angela Gotay-Cheverez
Chicopee

Lisa Pandolfi
Ludlow

Jamie Convery
Sixteen Acres

Debrea Mainolfi
West Springfield

Heather Dameworth
Northampton and Easthampton

Kriste Joy
Greenfield

BRANCH LOCATIONS

Hours vary by branch. Please visit freedom.coop for details.

Hampden County

Chicopee

1976 Memorial Drive
(413) 532-5085

Ludlow

645 Center Street
(413) 505-5800

Downtown Springfield

1976 Main Street
(413) 739-6961

Putnam Academy

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

Feeding Hills

959 Springfield Street
(413) 786-6200

Sixteen Acres

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

West Springfield

58 Union Street
(413) 733-6108

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

Hours may vary. Please visit freedom.coop for details.

Monday, Tuesday, Wednesday 8:00 AM–4:00 PM

Thursday, Friday 8:00 AM–5:00 PM

Saturday 9:00 AM–12:00 PM



FREEDOM IS YOURS.

freedom.coop  (800) 821-0160



Freedom Credit Union is federally insured by the National Credit Union Administration (NCUA). Shares and deposits in excess of NCUA limits are fully insured by the Massachusetts Credit Union Share Insurance Corporation (MSIC). Equal housing lender. NMLS #478769.