



ANNUAL REPORT 2018





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GIVING BACK TO OUR MEMBERS & COMMUNITY IN 2018

In today's world, identity theft and fraud are on the top of everyone's minds, especially for us at 1st Ed. Protecting your information is the only way to stay on top of scams and security breaches that continue to arise. 1st Ed Credit Union partners with SHERPA® Identity Protection to give members and the community a way to protect their identities. This service goes beyond standard credit monitoring to include a multi-layered approach to protecting identities. Our members also have an added level of security on their debit and credit cards with our CardNavSM card controls mobile app. We also hosted free shred events to help protect community members' private information, where they could shred their documents and take advantage of a free subscription of SHERPA® Identity Protection.

Providing financial education to our members and community is one of our top priorities and in 2018 we held seminars that were

focused on tax reform, retirement, and identity theft as well as visited classrooms from elementary to high school to speak to students about saving vs spending, budgets, and building credit. Our Financial Reality Fairs continued to grow as we worked with 4 different high schools in the area to show juniors and seniors a taste of reality after high school or college when they chose their career path and planned their monthly budgets based on housing, transportation, entertainment and more. Four high school seniors each received a \$1,500 scholarship to be used at a university, college or trade school of their choice. The scholarships were judged on academic achievements, extracurricular and community activities as well as an essay on a difficult scenario they had been in and what they learned from it.

Our members are at the root of whom we are as a credit union and why we exist; and part of taking care of our members is also taking care of their community. The credit union, its staff, and the members were able to give back to the community through donations to The Boys and Girls Club, South Central Community Action Program, PA Credit Union Foundations, Homeless Matters Coalition, and Children's Miracle Network Hospitals. As part of an annual tradition, 1st Ed Credit Union adopted a family for Christmas from the Boys and Girls Club of Chambersburg and Shippensburg. Throughout the year, 1st Ed's staff participated in multiple dress down events by donating money to be able to wear jeans, sneakers and even flip-flops to work. All of the funds from these weeks were put toward purchasing gifts for the local family to help spread the joy of the season. We also participated in sponsorships which included the Greencastle Exchange Club, First Responder's Day, Greencastle's Heritage Christmas, Downtown Chambersburg Inc, and more.

We look forward to continually giving back and finding new ways to be involved in our communities in 2019.

BOARD PRESIDENT AND CEO MESSAGE

As a financial cooperative, our success is your success. When you participate in the credit union, you are contributing to its growth and because of our cooperative structure, we are able to return earnings back to you, the members, by offering competitive interest rates, low fees, and new products and services – right here in your own community. As a locally-owned and governed financial institution, 1st Ed has a strong connection to the community. We are well positioned to support our membership's growing needs and are a financial institution that cares about its community's financial future.

Let me begin by saying that 2018 was a very significant year for 1st Ed...we expanded our footprint in Franklin County by opening a new branch location in Greencastle this past July. By adding this new location, we have been able to better serve our members in Franklin County as well as in surrounding counties and towns. We are excited and look forward to our future in Greencastle!

As many of you know, we currently serve Franklin, Fulton, Adams and some of Cumberland and York counties. I am very happy to announce that towards the end of 2018, the Board of Directors and the Senior Management team made the decision to expand our footprint again into York County and we will be opening a new branch location in Hanover, early Fall 2019. We believe this will be a perfect fit for 1st Ed and provide us the opportunity to serve our existing, as well as new, members in both Adams and York counties.

1st Ed continues to remain financially healthy and in 2018 we grew our capital, our return on assets, our loan portfolio and experienced strong member growth, while maintaining a very low delinquency ratio. As a financial institution that was founded for

educators, we continue to hold that affinity close to our hearts by ensuring that we meet the needs of the educators and students in our community as well as their family members. 1st Ed also extends membership to employees in many of the businesses in our community.

The Board of Directors and the staff would like to extend our sincere gratitude to our membership who continues to entrust their financial well-being with 1st Ed Credit Union.

We would like to thank the Board of Directors and the Supervisory Committee for their dedication and the many hours they serve as volunteers. We also want to thank the entire staff of 1st Ed for their commitment to excellence and an outstanding year in 2018.

We look forward to serving you in the future and to another successful year in 2019!

MINUTES OF THE ANNUAL MEETING

APRIL 16, 2018

The 80th Annual Meeting of the 1st ED Credit Union held at the Montessori Academy of Chambersburg was called to Order at 7:00pm by Chairperson Roy Johnston. A quorum was declared by Secretary Alan Estes. The printed minutes of the Annual Meeting on April 17th, 2017 were declared approved by Chairperson Johnston. Minutes were unanimously approved by a Ken Morgan/Kenneth Baker motion.

Chairperson Johnston welcomed the members to the meeting. He introduced the staff of the Credit Union and thanked them for their dedicated service to the members. Chairperson Johnston then gave a brief report on the activities and events sponsored by the Credit Union in the past year.

Kelly Childress, President & CEO reported on the financial aspects, membership activities and growth over the past year. Kelly also pointed out several “highlights” of 2017 including: positive change, financial education, student Branch expansion, and community involvement including reality fairs. Kelly also mentioned the opening of the Greencastle, PA Branch coming in June 2018.

Kelly thanked the members for their commitment, the Board members & Supervisory Committee for their efforts. Kelly also thanked the 1st ED Staff for their efforts.

Larry Bresnahan introduced the three candidates for the Board of Directors. There were three positions available. Larry opened the floor for nominations. No nominations were presented. A motion to close the nominations was approved. The three candidates were elected without vote required as directed in the bylaws.

Chairperson Johnston introduced the four Scholarship recipients, Micaela Champion from Chambersburg High, Jacob Gayman from Chambersburg High, Evan Shreffler from Chambersburg High and Lauren Slonaker from New Oxford High. Each student will receive \$1,500.

Door Prizes were announced. Ken Morgan received the \$80 Gift card and Marshall Mailey won the TV.

New Business:

Board of Directors Election Results: Alan Estes, Drew Nelson and Roy Johnston were elected to a three-year term. Reorganization of Officers was declared as follows; Roy Johnston – President, unanimously approved by a Nelson/Estes motion. Deborah Westover – Vice President, unanimously approved by a Breshnahan/Paruch motion. Alan Estes – Secretary, unanimously approved by a Paruch/Campbell motion. ALCO Committee includes Larry Bresnahan and Dixie Paruch, unanimously approved by an Estes/Nelson motion.

The meeting was adjourned at 7:30pm.

Respectfully Submitted,

Alan Estes

Alan Estes

Secretary

1st ED Credit Union

Board of Directors

ANNUAL MEETING ELECTION

Running for the three open positions on the Board of Directors:



ROBIN HARMON

Robin Harmon serves as the Site Administrator for the Pa CareerLink® Franklin County. She is a Franklin County native and a graduate of Chambersburg Area School District. After high school, she attended Rutgers University and earned a BS in Industrial Engineering. She worked at Lucent Technologies in Massachusetts for 4 years and during that time earned her MBA from Northeastern University.

After studying Industrial Engineering at a Master's level at Penn State University, she returned to Chambersburg to join her family's business. The furniture store was sold and she then worked at Nitterhouse Masonry Products and Manitowoc before joining the Greater Chambersburg Chamber of Commerce in 2012. While at the Chamber, she learned how to put her passion for her community to work through Downtown Chambersburg Inc. and the Greater Chambersburg Chamber Foundation. In the fall of 2018, she accepted the position at the PA CareerLink®/South

Central Workforce Investment Board where she can further work to help her community through employment programs.

Additionally, Robin is a volunteer member in numerous organizations including the Board of Directors of the United Way of Franklin County, the Advisory Board for Penn State Mont Alto, the General Advisory Council at the Franklin County Career & Technology Center, a member of the Board of Directors of Letterkenny Industrial Development Authority and the Executive Committee of Franklin Together.



DIXIE PARUCH

Dixie Paruch is a retired educator, spending 35 years in the areas of teaching special needs children and administration. Two years ago, she retired as Superintendent of Central Fulton School District.

Retirement has brought new challenges and opportunities as it gives her more time to act on several volunteer experiences. Along with serving on the 1st Ed Credit Union Board of Directors, she also serves on the Management Team of the Breezewood Trucker Traveler Ministry and the Fulton County Family Partnership Board of Advisors.

She lives in Harrisonville with Bob, her husband of 38 years. They have been blessed with 3 daughters who have given them 7 beautiful grandchildren.

In addition to volunteering, she enjoys reading, gardening, and sewing.



DEBORAH WESTOVER

Deborah resides with her husband, Gordon, in Shippensburg, PA. She holds a Bachelor of Science Degree in Accounting and a Master of Arts Degree in Personnel Administration & Industrial Relations from Saint Francis University. She also completed course work at the University of Maryland.

Deborah retired in October 2015 after serving over 25 years as Business Administrator/ Board Secretary of the Shippensburg Area School District. During her career she was active in the Pennsylvania Association of School Business Officials, serving in leadership positions at the regional level.

Deborah was a member of the 1st Ed Credit Union Supervisory Committee from 2005 - 2015. She became a member of the 1st Ed Credit Union Board of Directors in 2015, when she filled an unexpired term due to a Board Member's resignation.

With a decade of Supervisory Committee experience, a full term as a member of the Board of Directors and her financial background, Deborah will continue to remain an asset to 1st Ed Credit Union.

Running for the open position on the Supervisory Committee:



LAWRENCE BRESNAHAN

Larry received a Bachelor's of Science in Special Education and Masters of Science in Special Education from Slippery Rock University. Later, he received a Diversified Occupation Coordinator Certificate from Penn State University, a Special Education Supervisory Certificate from Millersville University, a Principal Certificate from Western Maryland College, a Doctorate of Education from Penn State University and a Superintendent Letter of Eligibility from Shippensburg University. He was employed by the Lincoln Intermediate Unit #12 from 1980 to 2012; he held positions as both the Supervisor/Coordinator of Alternative Education/Adult Education and the Supervisor of Emotional Support while employed by the LIU #12. After spending 36 years in the education field, Larry retired from the Crisis Prevention Institute as a Trainer in 2013.

Larry has been affiliated with the Pennsylvania Association for Adult Continuing Education, the Pennsylvania State Education Association, Council for Exceptional Children and the Pennsylvania Association for Supervision and Curriculum Development.

Larry has served on 1st Ed's Board of Directors for six years and has enjoyed working with the credit union staff as well as the other board members. The more he learns about the banking system, the more he realizes the advantages of being a member of 1st Ed Credit Union. He would like to continue his work with 1st Ed Credit Union by filling the open position on the Supervisory Committee.

STATEMENT OF FINANCIAL REPORTS

ASSETS	2018	2017
Total Loans	\$ 53,382,249	\$ 51,500,733
Allowance for Loan Loss	\$ -499,510	\$ -527,738
Net Loans	\$ 52,882,739	\$ 50,972,995
Cash	\$ 363,818	\$ 239,207
Investments	\$ 60,130,118	\$ 65,124,823
Land and Building	\$ 1,178,259	\$ 1,224,939
Other Assets	\$ 1,385,907	\$ 1,014,043
Total Assets	<u>\$115,940,841</u>	<u>\$118,576,007</u>

LIABILITIES AND MEMBER'S EQUITY

Total Liabilities	\$ 355,841	\$ 541,756
Total Shares	\$ 68,355,113	\$ 70,129,885
Total IRA & Term Shares	\$ 20,029,552	\$ 21,812,309
Total Draft Shares	\$ 9,627,276	\$ 8,916,841
Total Equity	\$ 17,573,059	\$ 17,175,216
Total Liabilities and Equity	<u>\$115,940,841</u>	<u>\$118,576,007</u>

STATEMENT OF INCOME AND EXPENSES

Interest on Loans	\$ 2,117,928	\$ 2,023,040
Interest on Investments	\$ 1,159,440	\$ 939,754
Other Income	\$ 579,421	\$ 555,074
Total Income	\$ 3,856,789	\$ 3,517,868
Dividend Expenses	\$ 286,079	\$ 289,943
Net Interest Income	\$ 3,570,710	\$ 3,227,925
Operating Expenses	\$ 2,640,783	\$ 2,341,835
Provisions for Loan Losses	\$ 4,000	\$ -3,000
NCUSIF Stabilization Expense	\$ 0	\$ 0
Total Expense	\$ 2,644,783	\$ 2,338,835
NET Income/(Loss)	<u>\$ 925,927</u>	<u>\$ 889,090</u>

REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee serves as the audit committee for the credit union. This committee is comprised of three members, and their role is to ensure the accuracy of financial records and to review new policies and procedures of the credit union.

The Supervisory Committee engaged the independent accounting firm of Smith Elliot Kearns & Company, LLC (SEK) and its CPAs and Advisors to perform monitoring procedures to ensure the committee can meet its responsibilities to the credit union and members. Procedures included an arbitrary review of new loans and new investment policies, as well as monitoring the compliance of other Bank Secrecy Act and Anti-Money Laundering policies. Procedures included random cash counts, verification of proper loan interest, and dividend calculations. The committee is pleased to say there were few exceptions found and the credit union received satisfactory reports.

The Supervisory Committee also engaged SEK to audit the credit union's financial statements as of March 31, 2018. The committee is pleased to report that the annual audit was successfully completed, and the credit union's financial statements were certified without qualification.

Carolyn M. Faith
Chairperson

SCHOLARSHIP RECIPIENTS

Tanner Althoff will be graduating from Bermudian Springs High School this spring where he is a very active member of the Student Council, National Honor Society, and Vice President of Varsity Club. Tanner is also very involved in sports including playing baseball and wrestling for the majority of his time in high school. Tanner will be attending Robert Morris University for a Nursing Degree.

Colin Boyd is a senior at Big Spring High School where he has spent three years as President of his class, as well as President of the National Honor Society and TEMPUS Club. Colin currently works as a paid intern at an accounting firm which has provided him with invaluable experience which will help him as he works toward an Accounting Degree at Penn State - University Park.

Sydnee Loy is a senior at New Oxford High School where she is a member of the National Honor Society, the Freshman Mentor Program, and is Student Council Vice President. Outside of school, she is very involved in her church youth group, and is a member of the Hanover Elite Cheer and will be competing nationally this spring in Orlando, Florida. She also takes great joy in being the tumbling coach for four-year-old children. Sydney will be attending West Virginia University in the fall where she will be pursuing a Nursing Degree.

Maggie Strawoet is currently a senior at James Buchanan High School. Maggie is Vice President of Art Club as well as Team Captain for Basketball and Tennis. Maggie also works with the youth through the Future Hoopsters Basketball Camp and as a mentor for autistic students during Art Class. Maggie plans to attend Kutztown University this fall and major in Social Media Theory and Strategy.

BOARD OF DIRECTORS

Roy Johnston, Chairperson of the Board

Deborah Westover, Vice Chairperson

Thomas (Alan) Estes Jr., Secretary/Treasurer

Andrew (Drew) Nelson

Larry Bresnahan

Dixie Paruch

Brian Campbell

SUPERVISORY COMMITTEE

Carolyn M. Faith, Chairperson

John Southwood

Mary McGough



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