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# ANNUAL REPORT

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FORT FINANCIAL CREDIT UNION

# LEADERSHIP REPORT

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2020 will certainly be marked as one of the most memorable and influential years in modern history. On the tails of a very strong economy, record low unemployment and economic optimism, all things changed. The COVID-19 pandemic and partial economic shutdown erased optimism, caused fears, financially reeked certain industries, changed the political landscape and retooled everyone's priorities.

At Fort Financial we took immediate pandemic response steps to monitor trends, comply with the CDC and governmental orders and mitigate negative effects. Initially branch lobbies were closed and routine transactions were conducted through the drive-throughs. Once employees and members could conduct business inside in a safe manner, our lobbies reopened, but with added safety procedures.

Surprisingly, the credit union achieved its greatest jump in growth in the history of the credit union. Members had less opportunity to spend on vacations, gasoline and dining out, while at the same time being given government stimulus checks. The result was a dramatic increase in deposit balances, see financial statement and financial report.

Consumer lending nearly ceased mid-March to early May, but then pent-up demand began to produce nearly record levels of automobile buying each month. Throughout the year, mortgage lending remained strong. Fort Financial originated a record amount of mortgage loans, exceeding \$38 million. Our total loan portfolio grew by \$30 million, exceeding \$200 million in total loans in our portfolio for the first time.



# LEADERSHIP REPORT

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In other lending news, we began to participate in a business lending partnership. This partnership provides us the opportunity to participate in business loans that the credit union would not have the size or staffing to handle on our own. In many cases, the credit union holds only a small portion of the loan on our books, and the remaining portion is held by other credit unions. The partnership between credit unions happens behind the scenes, which allows the business to retain a single point of contact.

In 2020, we added additional features and functionality into our online banking and mobile app. We added the ability to join the credit union for the first time as a new member. We added the ability to open additional shares, add a joint person to your account and apply for a loan. We will further advance our online banking and mobile app in 2021. The credit union executed agreements with Lumin Digital to convert to a new, more reliable and feature-rich system by the end of 2021.

We also moved forward with other steps to provide for better years to come. We purchased property on Lima Road, on the north side of Fort Wayne to build a new corporate headquarters. This location will provide us with the additional space we need, room to grow, and be better visible to the community. We anticipate construction to begin mid-2021 and be completed in late summer of 2022.

To also allow for continued growth, we purchased property on the east end of Fort Wayne, at the intersection of Maplecrest and Saint Joe Center Road. This will provide us visibility to a new area in town. The construction timeline is expected to coincide with our headquarters.

Overall, we are very proud of the accomplishments of the credit union in 2020. The staff resiliently met the challenges and took advantages of the opportunities that were available. We continue to survey our membership for service levels and recommendations. We achieved a service survey score of 3.90 out of 4 (9.75 out of 10) from our membership. We look forward to continuing to provide better service, better access to your finances and a better future in 2021.

# FINANCIAL REPORT

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For the year ended 2020, the credit union had a net income of \$1,552,531. This was below 2019's net income of \$2,652,304. The main reason for the decrease in net income was an \$888,000 increase in the provision for loan loss expense. As would be expected, this was a direct result of the economic conditions resulting from the pandemic.

In almost all major income statement categories, the credit union was within +/- 10% of budget. The net interest income after the provision for loan loss was \$8,162,410 with a budget variance for the year of -1.36%. Total operating expenses for the year were \$12,092,355. The overall variance for total operating expenses was basically right at budget for the year, with a favorable variance of 0.95%. Total other operating income was \$5,471,008 or 4.48% below budget.

During 2020 the credit union experienced exceptional growth in both loans and deposits. Loans outstanding ended the year at \$209.6MM up over \$30.9MM from 2019. The largest increase in the portfolio, again as in previous years, came from first mortgages and indirect auto loans. Deposit growth was also strong during 2020. Much of the increase was due to the stimulus payments and members deferring discretionary spending. Total deposits finished the year up almost \$43MM at \$258.8MM, which was an increase of over 19.95%.

In summary, in 2020 the credit union was able to achieve positive earnings and strong loan and share growth while meeting the economic challenges the year presented. The credit union continues to be classified as well capitalized by the NCUA with a capital ratio of 9.79% as of the end of 2020. While the credit union achieved positive earnings in 2020, the large increase in deposits did cause this slight decrease to our capital ratio from 10.32% in 2019.

**The credit union was able to achieve positive earnings and strong loan and share growth while meeting the economic challenges the year presented.**



# SUPERVISORY COMMITTEE REPORT

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The Supervisory Committee is responsible for the continued review of credit union activities, ensuring that financial records are accurate and internal controls are in place to protect the credit union and our member's assets. The Committee accomplishes this by overseeing various audits, financial analysis and procedural reviews.

The firm of CliftonLarsonAllen is in the process of performing an audit of the December 31, 2020 financial statements. Their previous audit did not disclose any material discrepancies and indicated that accounting records are maintained in accordance with generally accepted accounting principles and federal credit union guidelines.

We appreciate our members' involvement and commitment to Fort Financial Credit Union. The Committee pledges to remain current on credit union issues and respond to any questions in 20201

Scott Beam  
Val Eakins  
Karen Platt



# FINANCIAL STATEMENT

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<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Credit card loans	12,760,327	13,250,766
Real estate loans	53,463,098	38,966,075
All other loans	143,374,584	126,454,934
Allowance for loan loss	(2,219,611)	(1,910,751)
Cash on hand	4,170,099	4,472,422
Investments	51,064,831	40,525,892
Land and building	6,573,260	4,223,943
Other assets	12,820,521	11,709,412
<b>TOTAL ASSETS</b>	<b>282,007,109</b>	<b>237,692,693</b>

<b>DEPOSITS</b>	<b>2020</b>	<b>2019</b>
Liabilities		
Certificates	27,454,294	25,128,087
Share drafts	58,566,841	44,872,487
IRAs	13,562,195	13,782,119
All other deposits	159,177,631	131,939,181
<b>TOTAL DEPOSITS</b>	<b>258,760,961</b>	<b>215,721,874</b>

Other liabilities	1,127,400	1,114,369
Equity capital	22,118,748	20,856,450

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>282,007,109</b>	<b>237,692,693</b>
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# OPERATING STATEMENT

<b>INCOME</b>	<b>2020</b>	<b>2019</b>
Interest on credit cards	907,902	1,024,559
Interest on other loans	8,968,312	7,504,565
Income on investments	587,031	951,634
Miscellaneous income	5,471,008	5,995,979
Other gains or losses	11,468	8,639
<b>TOTAL INCOME</b>	<b>15,945,721</b>	<b>15,485,376</b>

<b>EXPENSES</b>	<b>2020</b>	<b>2019</b>
Salaries (wages)	4,623,129	4,699,948
Benefits	1,673,925	1,572,169
Travel & conference	146,473	163,415
Association dues	28,433	26,405
Office occupancy	684,111	772,864
Office operations	3,132,676	3,086,741
Loan servicing	912,134	338,237
Outside services	783,483	681,278
Operating fee (NCUA)	63,972	60,881
Miscellaneous	44,060	106,769
<b>TOTAL OPERATING EXPENSES</b>	<b>12,092,356</b>	<b>11,508,707</b>

<b>DISTRIBUTION OF INCOME</b>	<b>2020</b>	<b>2019</b>
Dividends (all accounts)	770,426	681,448
Provisions for loan losses	1,530,315	642,452
Interest on borrowed money	94	464
<b>NET INCOME TO UNDISTRIBUTED EARNINGS</b>	<b>1,552,530</b>	<b>2,652,305</b>

# LEADERSHIP

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## BOARD OF DIRECTORS

Jeff Leichty, Chairperson  
Indiana Tech, VP/CIO

Shelly Musolf, Vice Chairperson  
Indiana Tech, Controller

George Eldridge, Secretary  
Dana Corporation, Retired

Tammy Long, Treasurer  
TransUnion, Major Account Executive

Nick Bond, Board Member  
Russ Moore Transmission, Former CEO

Steve Collins, Treasurer  
Fort Financial Credit Union,  
President & CEO

Sarah Delgadillo, Board Member  
Wabash City Schools, Director of  
Global Citizenship

Darius Darling, Associate Board Member  
Brotherhood Mutual, HR Generalist

Joe Jordan, Associate Board Member  
Boys and Girls Club of Fort Wayne,  
President & CEO

Bryan Sharp, Associate Board Member  
PERRY proTECH, Account Manager

## SUPERVISORY COMMITTEE

Scott Beam, Committee Member  
Petroleum Parts, Inc., VP of New  
Business Development

Val Eakins, Committee Member  
Ivy Tech, Executive Director of  
Administration

Karen Platt, Committee Member  
Fort Financial Credit Union, Retired

## EXECUTIVE STAFF

Steve Collins, President & CEO

Rob Anderson, VP of Information  
Technology

J. Arnold, VP of Lending

Tammy Hartman, VP of Sales & Service

Michael Stratton, CFO & VP of Strategic  
Services