



Federal Credit Union | Friends you can bank on.

2019

annual report



Personal greetings, confidence in the transaction, making sure any other needs are taken care of before the final 'Have a good weekend!' That's the difference.

~ Rita B., Kulpmont



I felt like I mattered to the employees at Service 1st. They took the time to listen to me and to help me understand the things I was concerned about. They treated me with respect and kindness and that is very important to me.

~ Elizabeth M., Sunbury



Service 1st is very easy to do business with. Rates are excellent, local branches easily accessible and mobile banking is tops.

~ Lisa W., Bloomsburg

letter from the chairperson and president/ceo

Service 1st had another extraordinary year in 2019. We are honored to share highlights of our strong financial performance and community support. The continued growth and success we have consistently achieved is a direct reflection of the support from our members and the positive effect we have on the communities we serve.

For 2019, our return on average assets (ROA) was 1.7%, while for our national peer group, those credit unions with a similar asset size, had an average ROA of 0.8%. ROA is a key measure of the overall financial health of your credit union. Our total deposits grew by 9.8%, while national peer group credit unions grew by 5.4%. Our total loan balances increased 7.8%, national peer group loan growth was 4.7%. Our total assets exceeded \$429 million; a 13.3% increase compared to national peer group assets of 5.6% growth. Our membership increased to almost 35,000 members, a 3.0% increase, while nationally, credit union membership grew 1.5%. As you can see, Service 1st achieved better results than our national peer group. We are proud of this accomplishment.

We opened our twelfth office in Elysburg in May 2019. The newly renovated space features innovative teller pods, a convenient drive-through and a drive-up ATM. We're pleased with the warm welcome we have received from the Elysburg community.

We continue to participate in charitable activities and in organizations to make our communities stronger. Our 26th Annual Charity Golf Tournament and 8th Annual Charity Duck Derby jointly raised \$60,000 to benefit Bridges Out of Poverty, Mifflinburg Hose Company and the Janet Weis Children's Hospital. Our 5th Annual Going Gold initiative to benefit ThinkBIG® Pediatric Cancer Fund, increased awareness for pediatric cancer during the month of September and raised over \$18,000 to help local families. We continue to support the March of Dimes and their March for Babies. In 2019, we contributed \$16,500 to their Spring Walk.

One of our long-standing efforts, helping both members and our communities, is our Community Savings Challenge. During the Community Savings Challenge, members are encouraged to visit their local Service 1st office for a free financial checkup. After completing the financial checkup, members can vote for one of six local charities to receive a donation from Service 1st. We're pleased to report, we saved members \$1.5 million in loan interest payments during the four-month challenge!

Our core values provide a strong foundation from which we focus on strengthening the financial lives of our members and our community. In 2019, we were honored to be recognized by our peers, our members and our community. We received the Danville Business Alliance Not-For-Profit of the Year Award and the Crystal Performance Award from Raddon Financial Group. This award recognizes the top 3 percent of the highest performing credit unions who utilize the Raddon Financial Group. Service 1st was one of ten award recipients in the "Under \$500 million in Assets" category, and the only Pennsylvania credit union to be recognized. The Pennsylvania Credit Union Association recognized Service 1st with 3 first place awards including the Dora Maxwell Social Responsibility Reward, the Desjardins Youth Financial Literacy Award and the Desjardins Adult Financial Literacy Award.

In closing, a heartfelt thank you to our volunteers and team members for continually striving to achieve exceptional results and for keeping you, our members, and our communities in the forefront each day. That's the Service 1st difference!



Steven Endress, Chairperson of the Board
Bill Lavage, President/Chief Executive Officer

management team



BACK ROW (L-R): Michael Thomas, Chief Financial Officer; Brett Johnson, Vice President Lending; Christopher Court, Vice President Accounting/Operations; Bill Lavage, President/CEO; Dave Shope, Assistant VP Business Development; and Jay Reed, Chief Information Officer. **CENTER ROW (L-R):** Colleen Phillips, Vice President Marketing; Linda Brown, Chief Administrative Officer; Coleen Snover, Vice President Training & Development; and Jeffrey Balestrini, Chief Lending Officer. **FRONT ROW (L-R):** Scott Temple, Vice President Specialized Lending; Missy Peifer, Vice President Human Resources; Karen Wood, Chief Experience Officer; and Elisabeth Taylor, Vice President Audit & Compliance.

LEFT TO RIGHT:

Ed Moyer, Registered Representative; Gary Surak, Vice President, Wealth Management; and Matt Gardill, Registered Representative.

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retirement & investment center

board of directors



BACK ROW (L-R): Lori Wilson, Director; Bill Lavage, President/CEO; Steven Endress, Board Chairperson; Eric Polczynski, Supervisory Committee Chairperson; Greg Burke, MD, FACP, Director; and David Cutright, Treasurer.

FRONT ROW (L-R): Barbara Criswell, Director; Deborah Petretich Templeton, R. Ph., MHA, Secretary; Tracy Shirk, Vice Chairperson; Harold Hurst, Director; and Kathy Linn, Director.

integrity and ethics best people

fun nimbleness, flexibility and agility

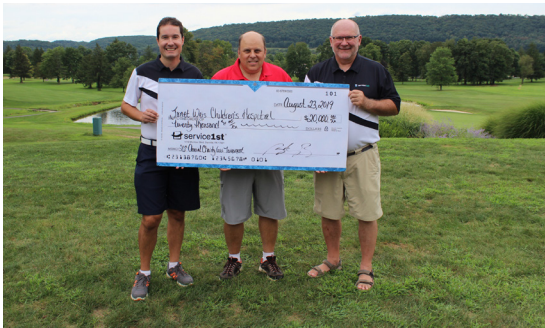
TOP ROW (L-R): 1. Service 1st was presented with the Not-For-Profit of the Year Award by the Danville Business Alliance during their I Love Danville Fundraising Gala. The Not-For-Profit of the Year Award honors a local organization that has demonstrated exceptional commitment to the community through direct involvement, financial support and leadership; achieved significant results that benefit the community; support creative partnerships with the Danville Business Alliance, other not-for-profits, and/or various businesses and civic organizations; and have inspired others by their example. 2. Service 1st opened its twelfth branch location at 196 West Valley Avenue, Elysburg. On June 19, 2019, we celebrated with an open house and ribbon cutting ceremony.

MIDDLE ROW (L-R): 3. Service 1st hosted the annual Financial Reality Fair at Danville Area High School. During this real-world simulation event, students were given a specific budget, and had to figure out for themselves the challenges of affording everyday items such as a car, insurance, clothing and furniture. 4. During September, a number of local businesses, organizations and communities joined together to "Go Gold," raising awareness about pediatric cancer. This year, with support from the community, Going Gold raised over \$18,000 to benefit ThinkBIG® Pediatric Cancer Fund!

BOTTOM ROW (L-R): 5. Jordan Frederick, Assistant Market Manager II; John Yoder, Assistant Vice President Elysburg Market; and Rachael Herb, Assistant Market Manager earned their Certified Credit Union Financial Counselor (CCUFC) designation by completing the Enhanced Financial Counseling Certification Program (FiCEP) through the PA Credit Union Foundation. 6. Service 1st staff members wore pink in support of Breast Cancer Awareness Month.



2019 highlights



TOP ROW (L-R): 1. Our Duck Derby Committee worked hard throughout the summer watching river levels. Over 3,500 ducks were sponsored and the 2019 Charity Duck Derby raised \$17,000 for local charities. **2.** Service 1st partnered with 94KX to present four Outstanding Teacher Awards to local educators. Each was randomly selected to receive the award as well as a \$1,000 donation to their school.

MIDDLE ROW (L-R): 3. Service 1st held its 26th Annual Charity Golf Tournament at Frosty Valley Country Club in Danville, raising \$60,000 to benefit Janet Weis Children's Hospital, Bridges Out of Poverty and the Mifflinburg Hose Company. **4.** Service 1st was honored with Raddon Financial Group's Crystal Performance Award. Linda Brown, Chief Administrative Officer, accepted the award during Raddon's CEO Forum, held in Dana Point, California. Service 1st was one of 21 credit unions that received the Award which recognizes the top 3 percent of the highest performing credit unions that the financial group works with.

BOTTOM ROW (L-R): 5. During Service 1st's 2019 Community Savings Challenge, members were encouraged to visit their local Service 1st office for a free financial checkup. After completing a financial checkup, members had the opportunity to vote for one of six local charities to receive a portion of a \$7,500 donation. **6.** Service 1st employees collected over 100 items for Toys for Tots during their annual holiday party.

fun support community best people

Statement of income

	2019	2018	% Change
OPERATING INCOME			
Income from Loans	\$17,377,864	\$14,660,336	18.5%
Income from Investments	1,247,205	676,523	84.4%
Member Services Income	282,461	243,764	15.9%
Mortgage Fee Income	139,985	143,116	-2.2%
Other Income	5,778,650	5,625,854	2.7%
TOTAL OPERATING INCOME	24,826,165	21,349,593	16.3%
OPERATING EXPENSES			
Employee Compensation	6,324,968	5,885,701	7.5%
Employee Benefits	1,377,284	1,392,366	-1.1%
Travel and Training	227,037	160,365	41.6%
Association Dues	108,667	98,509	10.3%
Office Occupancy	864,508	810,579	6.7%
Office Operations	2,169,632	1,923,217	12.8%
Marketing	874,475	755,201	15.8%
Loan Servicing	1,262,302	1,145,940	10.2%
Professional & Outside Services	593,178	556,534	6.6%
FIS Operating Expense	920,060	1,358,249	-32.3%
Provision for Loan Losses	553,810	(81,800)	-777.0%
Interest on Borrowed Funds	152,265	94,979	60.3%
NCUA Operating Fee	101,905	89,435	13.9%
Annual Meeting	24,505	21,083	16.2%
Other Expenses	169,782	157,657	7.7%
NCUSIF Stabilization Expense			
TOTAL OPERATING EXPENSES	15,724,378	14,368,015	9.4%
NET OPERATING INCOME	9,101,787	6,981,578	30.4%
NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	0	0	—
Gain (Loss) on Disposal of Assets	(117,429)	(46,782)	151.0%
TOTAL NON-OPERATING INCOME (EXPENSE)	(117,429)	(46,782)	151.0%
ALLOCATION OF INCOME			
Net Income Before Dividends	8,984,358	6,934,796	29.6%
Dividends	2,299,471	1,761,981	30.5%
NET INCOME AFTER DIVIDENDS	\$6,684,887	\$5,172,815	29.2%

Statement of financial condition

As of December 31, 2019 and December 31, 2018 (Unaudited - Subject to revisions.)

ASSETS	2019	2018	% Change
VISA® Loans	\$ 8,922,883	\$ 8,967,143	-0.5%
Home Equity Loans	115,826,436	106,669,594	8.6%
Commercial/Business Loans	50,515,407	43,438,538	16.3%
Auto Loans	126,260,510	120,547,881	4.7%
Student Loans	686,601	862,670	-20.4%
All Other Loans	62,130,007	57,205,221	8.6%
Total Loans	364,341,844	337,691,047	7.9%
Allowance for Loan Losses	(1,422,187)	(1,552,547)	-8.4%
NET LOANS OUTSTANDING	362,919,657	336,138,500	8.0%
Cash	4,592,011	4,634,761	-0.9%
Investments	43,935,077	21,240,584	106.8%
Other Assets	17,068,138	16,251,979	5.0%
TOTAL ASSETS	\$ 428,514,882	\$ 378,265,824	13.3%
LIABILITIES			
Total Liabilities	\$ 17,512,977	\$ 7,166,444	144.4%
EQUITY			
Certificates	53,566,086	40,085,629	33.6%
Checking	81,680,847	71,153,920	14.8%
Money Market Accounts	78,379,611	79,723,364	-1.7%
IRAs	25,160,647	23,328,161	7.9%
All Other Savings	130,382,672	121,794,357	7.1%
Total Shares	369,169,862	336,085,431	9.8%
Reserves	1,424,933	1,424,933	0.0%
Undivided Earnings	40,566,076	33,581,565	20.8%
Reserve for Investment Gain/Loss	(158,968)	7,451	-2233.5%
TOTAL LIABILITIES AND EQUITY	\$ 428,514,882	\$ 378,265,824	13.3%

We have reviewed the financial statements and, based on our knowledge, the statements are true and fairly present in all material respects the credit union's financial condition, results of operations and cash flows.

William J. Lavage, President/CEO
Michael P. Thomas, Chief Financial Officer

*Copies of audited financial statements are available upon request.



Federal Credit Union | Friends you can bank on.

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