



Honoring Our Past. Confident For Our Future.



2016

ANNUAL REPORT



Our Mission: Helping members prosper—helping communities thrive.

Our Purpose: Freedom First is a member-owned, democratically operated, not-for-profit organization managed by a volunteer board of directors, with the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means. The purpose of this Credit Union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident, business, or productive purposes.

Our Team: Nearly 180 people who embody our mission as they live, work, play, and serve in Virginia's Valley Region. At Freedom First, the staff, management, and all-volunteer Board of Directors are all dedicated to helping their fellow members prosper and helping their communities thrive.



Chairman & CEO Report

Freedom First Credit Union continued its mission, *Helping Members Prosper - Helping Communities Thrive*, through our unique blend of consumer, business, and community development banking programs. Our strong performance continued throughout 2016 as evidenced by solid loan and deposit growth as well as strong earnings. New members joined at a record pace and service quality rose to an all-time high. Our community development team successfully deployed a variety of strategies to help improve the household economics of our friends and neighbors who struggle financially. With a solid foundation and accommodating operating environment, we expect our growth to continue in a steady, productive manner.

Providing members an affordable source of credit has always been our primary purpose. Effective lending programs not only provide consumers and businesses the money they need for major purchases, the resulting interest income accounts for 63 percent of the credit union's gross income. In 2016, our loans increased by \$29 million, or 9.26 percent

over last year, which compares favorably to our peer group that increased by only 8.48 percent. The majority of loan growth was in our commercial lending area, which increased balances by \$28 million. Loan quality remains high, reflected by a delinquency ratio of 0.75 percent.

In addition to being a source of credit, our members can also accumulate their savings. During 2016, total deposits grew by an impressive \$65 million, or 21.59 percent; far more than our peer average which increased their deposits by only 5.61 percent. Our growth, coupled with net income totaling \$3.2 million, or a return-on-assets ratio of 0.76 percent, is well above the peer average of 0.51 percent. By nearly all financial measures, Freedom First is performing very well.

As a federally chartered credit union and a community development financial institution, we have an obligation to serve people of low- to moderate-income and to help struggling communities. We embrace our responsibility to be an involved and productive corporate citizen and have made great strides developing and delivering programs



and resources where they are needed most. The support we provide ranges from financial education, affordable housing and transportation loans, workforce development and payday relief loans, as well as commercial loans used to revitalize dilapidated buildings into a community asset.

We realize we cannot do it all alone, so we help others with their missions through our community grants program. In 2016, we provided unrestricted grant funding totaling \$35,000 to the following organizations: ARCH; Big Brothers Big Sisters; Bradley Free Clinic; Franklin County Public Schools Education Foundation, Inc.; Hope Tree Family Services; New Freedom Farm, Inc.; New River Valley Home: NRV TimeBank Program; Warm Hearth Village; and West End Center.

This attitude of service and giving is best represented in our employees who set a goal to raise \$9,000 for Make-A-Wish so they could grant one wish. As is often the case, the team went above and beyond raising \$18,500, enough to grant one wish in the Roanoke Valley and another in the New River Valley.

Before closing, I would like to extend a special "Thank You" to our Chairman Frank Turk who will be leaving our board of directors. Mr. Turk has served as a director with Freedom First since 2005, and, prior to joining Freedom First, he was a director and volunteer for the City of Salem Employees Credit Union from 1969 through 2004. While we will miss Mr.

Turk on our board, he has graciously agreed to continue his service on our finance committee.

In the following pages of this report you are provided more details of our accomplishments throughout the year. It is important to recognize that none of these would have been possible without our incredible team of employees and the leadership provided by our board of directors. Lastly, I would like to thank each of our members, you are the reason we exist and it is your continued support that enables our continued growth.



Frank P. Turk
Frank Turk, Chairman



Paul Phillips
Paul Phillips, President/CEO



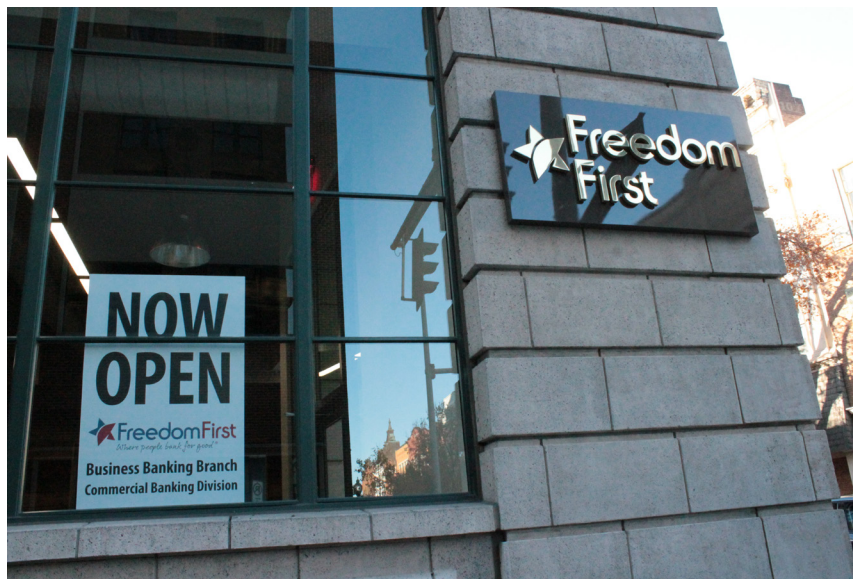
Business Banking & Commercial Lending

In December, we officially opened the doors of our new office on the corner of 1st and Campbell in downtown Roanoke. This office provides full-service banking to consumers, and is home to our Business Banking and Commercial Lending division.

The branch, located in the historic State & City Building and formerly occupied by Frank L. Moose Jewelers, is the first financial institution to occupy the landmark commercial

space since the 1930s when it was the State and City Bank.

Great care was taken in designing the space to include historic elements as well as modern style and technology. The eclectic decor is accentuated by a meeting table, custom-made by Black Dog Salvage, reclaimed barn wood that is over 100 years old accenting the walls, and historic images contributed by the History Museum of Western Virginia and the Roanoke Public Library.





The Historic Corner of 1st and Campbell



The State and City Building has a long history in the City of Roanoke and has been an important business landmark for more than a century.

Late 19th Century

Records describe a late 19th century basic frame building on the corner of Campbell and 1st Street. Businesses located here included W.C. Turner's meat store, the offices of the Roanoke-Vinton Gas Company, the private banking business of S. D. Ferguson, and, for a brief time, the Manhattan Café.

Early 20th Century

Around 1911, the frame building was cleared to make way for a three story building known as the Ferguson building. The first occupant, Becker Fruit and Candy shop, included a marble soda fountain as well as, in the rear of the store, a section of white linen covered tables where luncheons and suppers were served.

From the World War I era until the Great Depression, the Ferguson building was home to Colonial Bank and Trust; American National Bank, later merging with Colonial National becoming Colonial American National Bank; and the Day and Night Bank, later changing its name to State and City Bank. During this period, American National purchased the building and, by 1927, had added an additional five stories.

The Great Depression

In 1933, President Franklin Delano Roosevelt declared a national bank holiday. When banks reopened, the State and City Bank remained closed and, for reasons not clearly understood, remained shuttered. Not long after,

Colonial American National sold the building, which had become known as the State and City Building. The next well-known first-floor tenant was Frank L. Moose Jewelers who remained at this location until 2010.

The 21st Century

In 2002, the Roanoke Downtown Historic District was officially listed on the National Register of Historic Places. The District covers a little more than 46 acres, or approximately 28 blocks, and includes 138 historic buildings, one of which is the State and City Building.

A major renovation of the building began in 2005. The project, which cost in excess of \$5 million, incorporated environmentally sound, sustainable green building standards. The project was completed in 2006, and the once commercial building was transformed to five residential condominiums, six office condominiums, and street-level retail.

In December 2007, the renovated State and City Building became the first building in Southwest Virginia to receive LEED certification, and was the first historic renovation project in the United States to be LEED certified. The State and City Building also received the U. S. Green Building Council's Leadership in Energy and Environmental Design Certification, and the Association for the Preservation of Virginia Antiquities' Gabriella Page Historic Preservation Award.

2015-2016

Freedom First Credit Union purchased the first floor of the historic State and City Building in late 2015. The branch, which is scheduled to open in the second half of 2016, will be home to Freedom First's commercial lending division and new business banking branch.



Meet Our Business Banking and Commercial Lending Team

Over the past three years, we have been growing our business services team and have become a trusted partner to many local businesses. Stop in and visit them at 1st and Campbell for all your personal and business banking needs.



Pictured from left to right: William Dixon, VP Business Banking; Erin Moseley, Member Business Lending Specialist; Greg Whetzel, Branch Manager Business Banking; Kay Brown, Member Business Lending Specialist; Corey White, Universalist; Susan Larkin, VP Community Banking; Neal Cummings, SVP Commercial Lending; Brent Jenkins, VP Business Banking; Philip Barbour, VP Business Banking Center; Amanda Minton, Member Business Lending Specialist; Scott Leffel, Market Executive.



New and Improved Products & Services

Your credit union worked hard to launch new products and services.

Rewards and Special Rate Credit Cards

We took advantage of the opportunity to provide you a choice when we made your Freedom First VISA credit card more secure with EMV chips. Members can choose a Rewards card that offers points for dollars spent using the card. Alternatively, members can choose a Special Rate card that has a more affordable, lower interest rate.

Fast Forward HELOC

When you need credit, particularly to cover large expenses, we understand time is money. That is why we created the Fast Forward Home Equity Line of Credit (HELOC).

Grand Re-opening of our Home Loan Center

In November after a couple of months of remodeling, we held a grand re-opening of our Home Loan Center in Salem. As we continue to grow our mortgage lending department to better meet your needs, the Home Loan Center was redesigned to accommodate additional staff as well as make it more welcoming for our members.

Invest Local with a Community Investment Certificate®

Just like you, we love Roanoke and the New River Valleys. That's why we created the Community Investment Certificate®. When you deposit money in a Community Investment Certificate®, your money does double duty – earning higher rates for you and enabling local community investments. Choose to save with a Community Investment Certificate® and you will feel good knowing you are contributing to sustainable community development solutions and improving the quality of life for all locally.





Industry Leader of Innovative Programs

As a certified Community Development Financial Institution (CDFI), Freedom First is committed to enhancing the quality of life across the communities we serve. We have established ourselves as an innovator of programs that develop sustainable solutions to some of the most challenging issues - poverty, home ownership, and vicious cycles of debt. In 2016, some of our successful programs were highlighted by national news organizations, websites, and industry and academia publications.

The New York Times highlighted our innovative loan program in their article, "Credit Unions Turn Borrowers into Savers," that discussed findings from a Filene Research Institute pilot program at 12 credit unions.

Mainstreet.com, a personal finance website, also highlighted our Borrow & Save program in their article *Americans are Borrowing to Build Their Savings Accounts*.

The Stanford Social Innovation Review included a publication authored by Dave Prosser, Senior Vice President of Community Development, where he discussed our Responsible Rides® program design and success metrics and how credit unions can provide responsible lending when traditional underwriting doesn't work.

Awards and Recognition

The Desjardins Adult Financial Literacy Award honors credit unions for the commitment to teaching personal finance basics in the local communities. Freedom First came in first place from the Virginia Credit Union League for our participation in a pilot initiative, Pathways to Financial Empowerment.

The Louise Herring Philosophy-in-Action Member Service Award recognizes credit unions for their practical application of the credit union philosophy. Freedom First was selected for first place for our workforce development loan program where we provide affordable, low-interest loans to qualified candidates enrolling in training programs that lead to certification or licensure.





Partnerships and Community Outreach

Community partnerships are vital for program sustainability. We leverage our strong relationships with nonprofits, businesses, and government organizations to help us provide a full spectrum of services, as well as reach the marginalized, isolated, and under-served populations.

Community Kitchen

In April, LEAP for Local Food held a ribbon cutting for their new commercial kitchen, co-located with our West End branch. The Kitchen is a unique resource in the Roanoke Valley, providing professional grade equipment to facilitate large batch production for retail and wholesale. Complementing the Kitchen, LEAP also partnered with other community organizations to establish a business incubator and resource hub for culinary entrepreneurs.

Invest Health

In May, it was announced that Freedom First was a member of the Roanoke team selected to take part in a new Invest Health initiative funded by the Reinvestment Fund and the Robert Wood Johnson Foundation. In addition to the credit union, Roanoke's team includes representatives

from Roanoke College, the City of Roanoke, United Way of Roanoke Valley, and LEAP. The team will leverage Roanoke's existing civic infrastructure to guide investment and redevelopment planning efforts in Northwest Roanoke in order to improve health outcomes and neighborhood-level access to healthy living resources.

Cones with Cops

In July, Freedom First's ice cream truck, Scoop, partnered with the Roanoke County Sheriff's Office, the Roanoke County Police Department, and the Roanoke County Fire & Rescue for *Cones with a Cop*.

The events were held at Garst Creek Apartments and the Peters Creek Apartments, providing a unique opportunity for community members to discuss issues, build relationships, learn more about Roanoke County's public safety efforts, and enjoy some ice cream.

Community Outreach

In addition to teaming up for *Cones with a Cop*, Scoop also participated in 32 festivals, visited 61 non-profits and 17 businesses, and offered over 33,000 units of ice cream through out the community in 2016.





Community Grants

Freedom First also supports our partners by offering community grants to local non-profits to assist them in carrying out their missions. In some cases, our efforts are returned in-kind, helping us further our mission. During the process of awarding the grants, we learn more about our communities' non-profits and they learn about us. This year, we were thrilled to help a veteran referred by grant recipient New Freedom Farm. In need of help with their home, we were able to connect the vet with VA resources and a loan.

In 2016, we received over 30 grant proposals and were able to award worthy programs throughout our entire service area. The nine recipients were:

- **ARCH** - \$3,500: Build out of classroom suited for facilitating life skills training for their clients experiencing homelessness.
- **Big Brothers Big Sisters** - \$2,500: Expand the Oliver Hill Mentoring Program to serve 40 children from Roanoke City with mentoring relationships.
- **Bradley Free Clinic** - \$5,000: Expand access to a specialty Women's Health Program.
- **Franklin County Public Schools Education Foundation, Inc.** - \$3,000: Help with a program for

K-2 students to learn coping strategies, empathy, and general emotional intelligence to deal with life events.

- **Hope Tree Family Services** - \$5,000: Develop a meditation garden and care farm to serve as a positive alternative to some disciplinary measures, as well as instill personal responsibility and pride-in-work for students.
- **New Freedom Farm, Inc.** - \$5,000: Construct a pavilion to serve as a focal point and provide facilities that support their programs which provide a safe place for Veterans suffering from issues such as PTSD and depression.
- **New River Valley Home: NRV TimeBank Program** - \$5,000: Facilitate skill-sharing, service-enhancing, and community-building through a Time Credit exchange among members of the community.
- **Warm Hearth Village** - \$5,000: Produce an interactive musical, with senior citizens as the actors, to educate elementary school children on the basics of financial literacy.
- **West End Center** - \$1,000: Expand a STEM awareness and interest program.





Scholarships

Freedom First is proud to continue the tradition of offering several direct academic scholarships to exceptional students in the Roanoke and New River Valleys, and the counties of Botetourt, Craig, and Franklin. The 2016 scholarship recipients were:

Charles Perkins Scholarship for \$1,000

Named in honor of Charles Perkins who served as general manager and president of Freedom First Credit Union

- **Julie McKnew** - from Salem High School, and will attend Longwood University to study English as a second language and a Spanish minor.
- **Yunyun Wang** - from Hidden Valley High School, and will attend Cornell University to study medicine.
- **Jessamyn Falls** - from Salem High School, and will attend Roanoke College to study law.

Fred "Fritz" Kehn Scholarship for \$1,000

Dedicated to the memory of Fred D. "Fritz" Kehn, one of the original members of the credit union and first president in 1956.

- **Kate O'Connor** - from William Byrd High School, and will attend UVA, JMU, George Mason, or Franciscan University in Steubenville to obtain a BSN.

City of Salem / Frank Turk Scholarship for \$1,000

- **Hannah Farrell** - from Salem High School, and will attend Virginia Tech in pre-med and a minor in art.

Torie Phillips Memorial Scholarship for \$1,000

Dedicated to the memory and life of Lord Botetourt High School student Torie Phillips.

- **Emily Barranco** - from Lord Botetourt High School, and will attend James Madison University to study health sciences.





Consolidated Statements of Financial Condition

ASSETS

	March 31,	
	2016	2015
Cash and cash equivalents	\$ 5,941,093	\$ 6,338,836
Investments:		
Available-for-sale	20,355,766	20,357,193
Other	26,674,429	15,650,100
Federal Home Loan Bank (FHLB) stock	2,643,100	2,254,900
Loans held-for-sale	1,071,574	2,329,105
Loans receivable, net of allowance for loan losses	322,289,906	295,218,873
Accrued interest receivable	950,187	879,838
Premises and equipment, net	10,812,613	11,087,429
National Credit Union Share Insurance Fund deposit	2,731,089	2,622,004
Assets acquired in liquidation	584,122	349,710
Other assets	20,677,310	14,439,826
Total Assets	\$ 414,731,189	\$ 371,527,814

LIABILITIES AND MEMBERS' EQUITY

	March 31,	
	2016	2015
Liabilities		
Members' share and savings accounts	\$ 313,989,241	\$ 286,766,375
Borrowed funds	56,000,000	45,500,000
Interest payable	145,670	162,081
Accrued expenses and other liabilities	3,621,978	2,958,617
Total liabilities	<u>373,756,889</u>	<u>335,387,073</u>
Commitments and contingent liabilities		
Members' Equity		
Regular reserve	5,751,716	5,751,716
Undivided earnings	34,495,438	29,667,412
Accumulated other comprehensive income (loss)	127,195	121,662
Equity acquired in merger	599,951	599,951
Total members' equity	<u>40,974,300</u>	<u>36,140,741</u>
Total Liabilities and Members' Equity	\$ 414,731,189	\$ 371,527,814



Consolidated Statements of Income

	March 31,	
	2016	2015
Interest Income		
Interest on loans receivable	\$ 15,538,569	\$ 14,654,111
Interest on investments	415,538	280,433
Interest income	<u>15,954,107</u>	<u>14,934,544</u>
Interest Expense		
Dividends on members' share and savings accounts	1,160,456	1,068,276
Interest on borrowed funds	1,219,924	1,094,831
Interest expense	<u>2,380,380</u>	<u>2,163,107</u>
Net Interest Income	13,573,727	12,771,437
Provision for Loan Losses	1,989,813	1,748,600
Net Interest Income After Provision for Loan Losses	<u>11,583,914</u>	<u>11,022,837</u>
Non-Interest Income		
Fees and service charges	4,867,577	4,560,571
Other non-interest income	4,155,725	3,287,244
Gain on sale of mortgage loans, net	857,506	573,558
Non-interest income	<u>9,880,808</u>	<u>8,421,373</u>
	21,464,722	19,444,210
Non-Interest Expense		
Compensation and employee benefits	9,762,217	9,128,368
Operations	3,735,440	3,921,183
Occupancy	1,019,053	951,595
Loan servicing	989,177	931,855
Education and promotion	780,405	828,579
Professional and outside services	238,234	297,209
Loss on disposition of assets acquired in liquidation, net	112,170	95,474
Non-interest expense	<u>16,636,696</u>	<u>16,154,263</u>
Net Income	\$ 4,828,026	\$ 3,289,947



Consolidated Statements of Members' Equity & Comprehensive Income

COMPREHENSIVE INCOME

	March 31,	
	2016	2015
Net Income	\$ 4,828,026	\$ 3,289,947
Other Comprehensive Income or (Loss)		
Net unrealized holding (losses)/gains on securities arising during the year	5,533	97,088
Less reclassification adjustment for net losses/(gains) included in net income	-	-
	<u>5,533</u>	<u>97,088</u>
Comprehensive Income	<u>\$ 4,833,559</u>	<u>\$ 3,387,035</u>

MEMBERS' EQUITY

	Regular Reserve	Undivided- Earnings	Accumulated Other Comprehensive Income (Loss)	Equity Acquired In Merger	Total
Balance, March 31, 2014	\$ 5,751,716	\$ 26,377,465	\$ 24,574	\$ 599,951	\$ 32,753,706
Net income	-	3,289,947	-	-	3,289,947
Change in unrealized gain/(loss) on securities	-	-	97,088	-	97,088
Balance, March 31, 2015	5,751,716	29,667,412	121,662	599,951	36,140,741
Net income	-	4,828,026	-	-	4,828,026
Change in unrealized gain/(loss) on securities	-	-	5,533	-	5,533
Balance, March 31, 2016	<u>\$ 5,751,716</u>	<u>\$ 34,495,438</u>	<u>\$ 127,195</u>	<u>\$ 599,951</u>	<u>\$ 40,974,300</u>



Consolidated Statements of Cash Flow

	March 31,	
	2016	2015
Operating Activities		
Net income	\$ 4,828,026	\$ 3,289,947
Adjustments to reconcile net income to net cash		
Provision for loan losses	1,989,813	1,748,600
Depreciation and amortization of premises and equipment	1,002,612	1,037,613
Gain on sale of mortgage loans, net	(857,506)	(573,558)
Loss on sale of assets acquired in liquidation, net	112,170	95,474
Amortization of investment premiums/discounts	150,960	222,548
Amortization of deferred loan origination fees/costs	1,263,310	1,127,950
Changes in operating assets and liabilities		
Loans held-for-sale	1,257,531	(1,251,871)
Accrued interest receivable	(70,349)	(45,445)
Other assets	(6,237,484)	(1,088,415)
Dividends payable	(16,411)	81,019
Accrued expenses and other liabilities	663,361	(628,303)
Net cash provided by operating activities	<u>\$ 4,086,033</u>	<u>\$ 4,015,559</u>
Cash Flows from Investment Activities		
Purchases of:		
Available-for-sale securities	(2,144,000)	(18,258,529)
FHLB stock	(388,200)	(373,600)
Premises and equipment	(727,796)	(2,231,325)
Proceeds from:		
Maturities and paydowns of available-for-sale securities	2,000,000	10,667,142
Sale of mortgage loans	35,578,030	23,171,141
Sale of assets acquired in liquidation, net	701,220	1,364,662
Net change in:		
Other investments	(11,024,329)	5,112,345
Loans receivable, net of charge-offs	(66,219,303)	(58,834,150)
Assets acquired in liquidation	(473,680)	(1,785,956)
NCUSIF deposit	(109,085)	(291,571)
Recoveries on loans charged off	600,501	749,273
Net cash used in investing activities	<u>\$ (42,206,642)</u>	<u>\$ (40,710,568)</u>



Consolidated Statements of Cash Flow, continued

	2016	March 31, 2015
Cash Flows from Financing Activities		
Net change in members' share and savings accounts	\$ 27,222,866	\$ 27,404,096
Gross borrowing during the audit period	76,000,000	25,000,000
Gross repayments during the audit period	(65,500,000)	(15,000,000)
Net cash provided by (used in) financing activities	<u>\$ 37,722,866</u>	<u>\$ 37,404,096</u>
Net Change in Cash and Cash Equivalents	\$ (397,743)	\$ 709,087
Cash and Cash Equivalents at Beginning of Year	6,338,836	5,629,749
Cash and Cash Equivalents at End of Year	<u>\$ 5,941,093</u>	<u>\$ 6,338,836</u>
Supplemental Cash Flow Disclosures		
Dividends and interest paid	\$ 2,396,791	\$ 2,082,088
Loans receivable transferred to assets acquired in liquidation	<u>\$ 574,122</u>	<u>\$ 339,710</u>
Non-cash change in assets acquired in liquidation, net	<u>\$ (71,076)</u>	<u>\$ (52,069)</u>



Governance & Ethics Committee Report

A key responsibility of the Governance Committee is to research best practices as they relate to governance, and, when appropriate, incorporate those practices into the Credit Union standard operating procedures. In 2016, in addition to each board member assessing his/her own performance and areas of expertise, members were asked to rate the overall capacity of the entire board in areas such as diversity of membership on the board, the rigor of the nomination and election process, function and issue area expertise, demonstration of understanding National Credit Union defined fiduciary responsibilities, completion of coursework and continuing education pertinent to the Credit Union, purposeful, well planned board meetings, indicators linked to performance, and relationship between board and CEO.

Your board of directors scored well on the overall assessment of its performance. Areas that scored less than moderate or high levels are targeted for continuous improvement. Your Board of Directors is determined to reach our goal of becoming a “Leader in Corporate Governance.” Our committee is working with management to continue efforts to make Freedom First Federal Credit Union a true leader in all areas of governance.

Dan Merenda

Chairman, Governance & Ethics Committee

Supervisory Committee Report

The Credit Union’s Supervisory Committee has the responsibility to ensure that the operations of the Credit Union are carried out in accordance with the Federal Credit Union Act and the rules and regulations of the National Credit Union Administration.

In order to carry out our responsibility, we regularly review reports of management’s internal and external audits and also engage the services of a certified public accounting firm to perform an annual financial audit and verification of member accounts. The purpose of this financial audit is to determine whether or not the consolidated financial statements contain any materially significant misrepresentations. This includes tests of the Credit Union’s internal controls necessary for the auditor to render an opinion.

This year’s external audit resulted in an opinion that the Credit Union’s

financial statements do fairly represent its financial position and results of operations for the year. Based on their report and our own observations, we can report to you that Freedom First Credit Union continues to maintain a safe and sound financial institution and compliant with Federal regulations.

We have also engaged an independent audit agency to perform our internal audit function. The Supervisory Committee independently directs the internal audit program and the resolution of consumer complaints filed with NCUA.

We would like to thank you for your continued support of our member-owned Credit Union.

Jay A. Lanz

Chairman, Supervisory Committee

Nominations & Elections Committee Report

The Committee met several potential candidates that satisfied the criteria identified in the survey assessment and outlined in the Governance & Ethics Committee Report. From these potential candidates, the Committee nominated six highly qualified nominees for the three open positions on the Board of Directors: Andrea Garland, Ronald Williams, Gerald (Jerry) Barnes, Michelle Dykstra, Dan Merenda, and Joe Coyle.

The candidates un-edited videos were included along with candidate biographies on the independent election vendor’s website. Members could vote online, by telephone, and by request for printed ballots. The independent election vendor will present the election results to the Election Tellers and they will be announced at the Credit Union’s Annual Meeting on May 11, 2017.

Wayne Strickland

Chairman, Nominations & Elections Committee

Treasurer’s Report

One of the most important goals of the Board of Directors and Management is to remain financially safe and sound. Toward that end, the credit union achieved a high level of growth and net profitability for the year 2016.



Over the 12 months ended December 31, 2016, Total Assets increased from \$398.6 million to \$447.0 million, an increase of \$48.4 million. That is equivalent to 12% annual growth in assets. Loans to members increased from \$311.4 million to \$340.2 million. The highest growth areas in loans included residential 1st mortgages and business loans. Residential 1st mortgages increased over \$7 million, ending the year at \$57.3 million outstanding. Business loans increased nearly \$29.6 million, ending the year at \$91.4 million outstanding.

Member shares increased from \$300.2 million to \$365.1 million. The areas of greatest growth included regular shares and money market accounts. Their combined growth totaled nearly \$45.2 million. Growth in business accounts, including business checking and money market accounts together, grew nearly \$7.9 million.

Our net income for the year totaled \$3.2 million, a decrease of about \$0.8 million compared to the prior year. Total income and total operating expense, each increased about \$0.8 million compared to the prior year. Loan loss expense increased nearly \$0.5 million, and the cost of funds increased nearly \$0.4 million.

The credit union's net worth represents a financial cushion against losses. During 2016, our net worth was increased by net income from operations and by \$1.0 million of new secondary capital. The secondary capital eventually will have to be repaid.

Again this year, an audit of the credit union's financial statements was completed by an independent certified public accounting firm. The firm issued an unmodified (clean) opinion on the credit union's financial statements for the 12-month period ended March 30, 2016.

Consolidated financial statements for Freedom First Federal Credit Union are shown below. Questions regarding this information may be forwarded to Credit Union management or me.

As your Treasurer and on behalf of the entire Credit Union family, I want to express our sincere appreciation to the management and staff of Freedom First. This success would not be possible without their diligence and efforts.

Nelson Shibley
Treasurer

CONSOLIDATED STATEMENT OF CONDITION (UNAUDITED)

\$ Amounts in Thousands

12/31/2015 12/31/2016

ASSETS

Loans (net)	\$ 309,487	\$ 337,546
Cash	31,116	40,147
Investments	25,399	34,351
Other assets	32,523	34,908
Total Assets	\$ 398,525	\$ 446,952

LIABILITIES & NET WORTH

Payables	\$ 57,293	\$ 36,653
Secondary capital	1,500	2,500
Member shares	300,216	365,066
Net worth	39,516	42,733
Total Liabilities & Net Worth	\$ 398,525	\$ 446,952

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

\$ Amounts in Thousands

12/31/2015 12/31/2016

INCOME

Income from member loans	\$ 15,271	\$ 16,173
Investment & other income	9,972	9,879
Total Income	\$ 25,243	\$ 26,052

EXPENSES

Operating expenses	\$ 16,477	\$ 17,153
Dividends & interest expenses	2,374	2,760
Loan loss provision	2,373	2,943
Total Expenses	\$ 21,224	\$ 22,856

NET INCOME

	\$ 4,019	\$ 3,196
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BOARD OFFICERS



Frank Turk
Chairman



Dan Merenda
Vice Chairman



Nelson Shibley
Treasurer



Judith Harrison
Secretary

BOARD



Wayne Strickland
Director



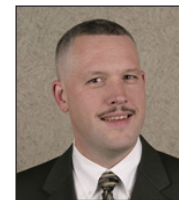
Joseph Coyle
Director



Brent Cochran
Director



Melinda Payne
Director



Tim Sutphin
Director

ALCO (Finance) Committee

Nelson Shibley
Brent Cochran

Audit and Risk Committee

Joseph Coyle
Roger Journell

Corporate Responsibility Committee

Judith Harrison
Thomas Chapman
Susan Hall
Almena Hughes

Employee Relations Committee

Judith Harrison
Nelson Shibley



SUPERVISORY



Jay Lanz
Chairperson



Michael Williams
Secretary



Emily Faye Poff
Supervisor



Gerald Barnes
Supervisor



Ira Hartman
Supervisor

LEADERSHIP TEAM



Paul Phillips
President/CEO



Sarah Andrews
EVP/COO



Keith Rickoff
EVP/CFO

Governance and Ethics Committee

Dan Merenda
Wayne Strickland

Lending Committee

Tim Sutphin
Brent Cochran

Nominations and Elections Committee

Dan Merenda
Joseph Coyle
Jay Lanz

Committee chairpersons are listed first.

BLACKSBURG

1204 South Main Street

CHRISTIANSBURG

417 North Franklin Street

DALEVILLE

1171 Roanoke Road

ROANOKE

5240 Valleypark Drive—Operations Center

5102 Williamson Road—Crossroads

102 Campbell Avenue—Downtown Roanoke

4203 Electric Road—Tanglewood

2221 Colonial Avenue—Towers Shopping Center

1210 Patterson Avenue—West End Center

SALEM

1235 Electric Road

VINTON

203 Virginia Avenue

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