

Relationships



that
Matter
2016 Annual Report



 **FREEDOM**
FEDERAL CREDIT UNION

Belong To Something Special

Chairman's Report

Freedom is built on "Relationships That Matter!" So much so that we feel our relationships with our members, employees, volunteers, and partners in the community represent the core of who we are and what we want to become.

Our belief is that building relationships is more important than our bottom line.

We also know if we keep our employees happy, they'll keep our members happy! If we keep our members happy, they'll spread the word to new members. It's in our DNA to try to help members the best way we can; efficiently, quickly, and to their satisfaction.

We also couldn't do what we do without the hard work of volunteers from our Board of Directors and Supervisory Committee to our employee volunteers who donate their time through our new community outreach program. Each month our employees support Habitat for Humanity, Empty Stocking Fund, Therapeutic Riding, and "Trunk or Treat" to name a few.

What did we do in 2016 to grow these relationships? We made loans for members who needed the help! We grew by attracting deposits from "special" share and IRA certificates with very competitive rates. We grew members. We grew kids' accounts by having a calendar competition for Youth Month.

We grew in our members' use of electronic services. Now it's easy to do transfers among member accounts, and institution-to-institution. We perfected our mobile phone apps, and our ability to accept photos of checks taken with mobile devices for deposit directly to an account.

We surveyed members, and had a focus group to see what we can do to make them aware of who we are and what we offer. Many don't know Freedom is an exceptional alternative to a bank. We're trying to change that with increased marketing and community engagement to reach one new member at a time.

Freedom continued to provide major support to the Harford County community, the people in need, as well

as the hospitals, schools and military. Our efforts were recognized when we won a prestigious "Harford Award" from the Harford County Chamber of Commerce.

We provided Patriot Program incentives to 25 schools, rewarding over 12,000 kids for learning about what makes this country great! We believe this is important.

Freedom also believes in providing financial education to all schools for free. We continue to focus on special programs for teachers and education workers, medical and hospital employees, realtors, and those who serve our country in the military or their contractors to build long lasting relationships.

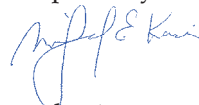
From a product and service perspective, we added AutoSmart, an online research tool for used and new vehicles. The deposits received from special CD offerings were used to support loans to members.

Expanded payment options were made available to members, including Apple Pay, Android Pay, and improved mobile apps. A single-sign-on for VISA credit card accounts was provided online.

This is how we build relationships; one person at a time, one member at a time, one need at a time.

We thank you for the opportunity to accomplish so much in our community but need your help to reach more members to continue building relationships.

Respectfully submitted,



Michael Kaiser
Chairman of the Board



President and Chief Executive Officer's Report



What are the relationships that matter most to Freedom? Obviously the relationship we develop with our members comes first. Equally important are the relationships we have with our employees who serve our members so well!

At Freedom members are not simply numbers, but real people with real financial needs. Members, in fact, are our member/owners. That's how Credit Unions work! We don't view members as a way to achieve a profit or a sales goal. We're only concerned with how we can help, how we can fulfill our part of the relationship. It works the same way as we consider our relationship with our shared community. We want to give back because we get so much in return.

2016 WAS A MILESTONE YEAR!

Financial statements presented in this report indicate a positive financial condition that reflects continued asset and loan growth. Assets grew to \$313,010,909, a 13.43% gain. Total share deposits were \$280,909,677, helping fund record loan growth. Fueled by mortgages, business and auto loans, total member loans grew by 18.1% finishing the year at \$264,879,447.

Members grew by 2.34% to 30,789, our most positive member growth in many years. Our net worth was 7.964%. Net earnings for 2016 were \$1,129,935. Freedom generated a return on assets of 0.384%. Total investments ended the year at \$24,489,774. Business loans increased by \$2,200,106.

2016 interest income is \$790,000 over the 2016 planned budget. This was very important because it contributed to a positive bottom line income for the Credit Union. This happened because

of our excellent year in loan growth due to high volumes of indirect auto

loans, provided right at the dealer, and a record year for mortgages. More members are seeking a home, and our expanded options help them achieve their dream of home ownership. We are also there when members need credit cards, signature, boat, motorcycle, and debt consolidation loans. The positive year in net income helped reverse a negative trend for many years.

Freedom's delinquency levels continue to be much lower than many peer financial entities. Our underwriting standards are consistently high and we appropriately consider credit risk.

While bottom line numbers are important, it is more important that these numbers reflect how we met your financial necessities. More electronic, online and mobile services are growing to meet changing needs.

Freedom is focused on our shared Harford County community. How Freedom can be a good neighbor and how to give back to the community are constant endeavors. Freedom asks non-members to "Belong to Something Special", and members to fully participate to make their relationship indeed "Special"! Freedom is experiencing financial stability and positive growth. Thank you for your active participation.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael MacPherson". The signature is fluid and cursive.

Michael MacPherson
President and Chief Executive Officer

Supervisory Committee Report



The Supervisory Committee serves as an independent representative of Freedom's 30,789 members, as mandated by The Federal Credit Union Act. The sole purpose of the Committee is to ensure that Freedom is financially safe and sound. The Committee monitors internal controls, guards against loss, detects areas of fraud and errors, and promotes effectiveness and efficiency of operations. The Committee ensures adherence to established laws, regulations, and internal policies and procedures. Freedom's Senior Management and staff, Supervisory Committee, and Rowles & Company, LLP, the outside certified public accounting (CPA) firm, work together to provide a strong control function.

Rowles & Company, LLP conducted an external audit and performed a BSA audit in 2016, and reported findings to the Committee to ensure compliance with procedures, policies, and federal laws and regulations.

Kathy Soller, Freedom's internal auditor, performed internal audit procedures through November, 2016.

Freedom Senior Management and staff, interact with Rowles & Company, LLP and the National Credit Union Administration (NCUA) examiners in executing the audit program.

In 2016 the Committee reviewed and acted upon all procedural concerns, addressed all personnel and member problems that arose during the year, and took appropriate action to resolve issues. The Committee periodically examined Freedom's financial reports and related

statements during 2016. Rowles & Company, LLP performed the Verification of Member Accounts and conducted the 2016 External Annual Audit for the Supervisory Committee in January of 2016. The financial report, as presented in this Annual Report, is extracted from that audit.

This Annual Audit Report (as of December 31, 2016) contains no reportable conditions. It is the opinion of the Supervisory Committee that the affairs of Freedom Federal Credit Union are being managed responsibly.

All comments and concerns should be sent to:

Supervisory Committee
Freedom Federal Credit Union
2019 Emmorton Road
Bel Air, MD 21015

(Please do not send payments to the Supervisory Committee)

Respectfully submitted,

A handwritten signature in blue ink that reads "Deborah M. Bloom". The signature is written in a cursive style.

Deborah Bloom, *Chair*
Nick Pindale, *Secretary*
Jim Church, Jr., *Member*
Alma Talbert, *Member*

Independent Auditor's Report



Supervisory Committee
Freedom of Maryland Federal Credit Union
Bel Air, Maryland

REPORT OF INDEPENDENT AUDITORS ON SUMMARY FINANCIAL STATEMENTS

The accompanying summary financial statements, which comprise the summary balance sheets as of December 31, 2016 and 2015, and the summary statements of income for the years then ended, are derived from the audited financial statements of Freedom of Maryland Federal Credit Union as of and for the years ended December 31, 2016 and 2015. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2017.

The summary financial statements do not contain the statements of comprehensive income, changes in members' equity, cash flows, and all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Freedom of Maryland Federal Credit Union.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 1 of Freedom of Maryland Federal Credit Union's audited financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived, and evaluating whether the summary financial statements are prepared in accordance with the basis described in Note 1 of the audited financial statements. We did not perform any audit procedures regarding the audited financial statements after the date of our report on those financial statements.

Opinion

In our opinion, the summary financial statements of Freedom of Maryland Federal Credit Union as of and for the years ended December 31, 2016 and 2015, referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived, on the basis described in Note 1 of the audited financial statements.

Rowles & Company, LLP

Baltimore, Maryland
March 8, 2017

SUMMARY BALANCE SHEETS

December 31,	2016	2015
Assets		
Cash and cash equivalents	\$ 15,352,056	\$ 12,371,899
Loans to members, net	266,615,734	225,578,519
Investment securities available for sale	19,860,421	27,020,679
Federal Home Loan Bank stock	503,200	330,800
National Credit Union Share Insurance		
Fund deposit	2,416,892	2,318,756
Perpetual contributed capital	1,367,927	1,367,927
Accrued interest receivable	790,315	729,726
Property and equipment	4,928,180	5,080,892
Prepaid expenses and other assets	1,176,184	1,152,370
	<u> </u>	<u> </u>
Total assets	\$ 313,010,909	\$ 275,951,568
	<u> </u>	<u> </u>
Liabilities and Members' Equity		
Members' share accounts	\$ 280,909,677	\$ 251,244,428
Federal Home Loan Bank advances	6,000,000	–
Accrued expenses and other liabilities	1,244,255	959,524
	<u> </u>	<u> </u>
Total liabilities	288,153,932	252,203,952
	<u> </u>	<u> </u>
Members' equity		
Regular reserve	3,857,922	3,857,922
Unappropriated undivided earnings	21,069,012	19,939,077
Accumulated other comprehensive income	(69,957)	(49,383)
	<u> </u>	<u> </u>
Total members' equity	24,856,977	23,747,616
	<u> </u>	<u> </u>
Total liabilities and members' equity	\$ 313,010,909	\$ 275,951,568
	<u> </u>	<u> </u>

These summary financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of comprehensive income, changes in members' equity, and cash flows, and the notes to the financial statements, are available at the Park Avenue office during normal hours of operation.

SUMMARY STATEMENTS OF INCOME

Years Ended December 31,	2016	2015
Interest income		
Interest on loans	\$ 11,228,553	\$ 10,119,688
Interest on investments	460,096	542,754
	<u>11,688,649</u>	<u>10,662,442</u>
Interest expense		
Dividends on members' shares	1,134,918	991,890
Interest on borrowed funds	14,629	—
	<u>1,149,547</u>	<u>991,890</u>
Net interest income	10,539,102	9,670,552
Provision for loan losses	<u>1,829,382</u>	<u>1,200,416</u>
Net interest income after provision for loan losses	<u>8,709,720</u>	<u>8,470,136</u>
Noninterest income		
Card services	1,083,794	1,096,274
Share draft fees	850,062	783,779
Other	747,455	572,660
	<u>2,681,311</u>	<u>2,452,713</u>
Noninterest expense		
Compensation and benefits	5,044,786	5,307,347
Office occupancy	841,143	837,691
Office operations	870,769	921,025
Education and promotion	404,043	373,510
Loan and card servicing	1,065,308	963,515
Data processing and professional services	1,577,074	1,607,497
Other	457,973	442,689
	<u>10,261,096</u>	<u>10,453,274</u>
Net income	<u>\$ 1,129,935</u>	<u>\$ 469,575</u>

These summary financial statements do not constitute a complete presentation. The complete set of audited financial statements, including the statements of comprehensive income, changes in members' equity, and cash flows, and the notes to the financial statements, are available at the Park Avenue office during normal hours of operation.

Contact Us

Mailing Address:

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24/7/365 Member Service

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410-676-5700

800-440-4120

410-679-2440 (Baltimore)

TDD: 410-676-9584

E-mail:

memberservices@freedomfcu.org

Website:

www.freedomfcu.org

Branches

Edgewood Branch

5002 Hoadley Road

Edgewood Area, APG, MD 21010

Forest Lakes Branch

1990 Rock Spring Road

Forest Hill, MD 21050

Fountain Green Branch

1304 Churchville Road

Bel Air, MD 21014

Park Avenue Branch

2019 Emmorton Road

Bel Air, MD 21015

Swan Creek Branch

1830-C Pulaski Highway

Havre de Grace, MD 21078



Belong To Something Special

P.O. Box 1545, Bel Air, MD 21014

Phone: 410-676-5700 or 800-440-4120

www.freedomfcu.org

Federally Insured
by NCUA

