

YOU ARE







# CHAIRMAN'S REPORT

**YOU are Freedom.** This is a belief that we adhere closely to every day within our Credit Union. Many organizations have stated similar things, but as a member-owned cooperative, this really has a much deeper and more significant meaning. Each one of us plays a significant part in the health and prosperity of the Credit Union and the ability to continue to serve the financial needs of our members, just as we have for over 65 years. Sixty-three of these years have been in Harford County. If not for YOU, our members, and the trust you have given us, our organization does not exist.

My fellow Board Members and the Leadership Team represent each one of you, our fellow member-owners, and we govern the organization with steadfast integrity, purpose, and resolve. Our commitment is to never lose sight of the "people helping people" philosophy that is integrated into the fabric of our organization.

Our operational employees work diligently to ensure that our products, services, technology, promotions, and educational materials offer the highest quality financial resources to ensure a healthy financial future for all of our members.

Our branch staff and financial service representatives look to provide a truly consultative approach to help each of our members, to ensure they are provided the financial information and tools that best serve their needs.

Our workplace and community partners believe in working together with us to address the financial needs of their employees and their constituencies, to make their organizations and businesses better and more financially healthier places. Each one of you, our 31,707 members, have placed your trust in your Credit Union, which ensures the health and prosperity of our organization that solely exists to serve you and our shared communities. This is demonstrated when you deposit your hard earned savings, when you rely on us for the best loan options for your new car, your dream home, or a family trip of a lifetime, or to just provide the financial education and resources needed to help ease the burden of debt. In every way, you embody the

heart and soul of what Freedom Federal Credit Union is and stands for. YOU are Freedom.

## COMMUNITY SUPPORT

In 2017, Freedom remained fully committed to our community support initiatives, living up to the Credit Union Movement's "people helping people" philosophy. As a Harford County institution serving the Harford County community, we know the importance of taking an active role in making a difference. Last year, we provided over \$127,000 in sponsorships and financial support to over 200 different organizations throughout Harford County, including support for the military, health care practitioners, elementary, middle, and high schools, homeless shelters, and for the small business community, to name a few. Team Freedom, with the participation of our members, employees, and their families, also donated hundreds of hours of their personal time and their own resources throughout the year, supporting such programs as:

- Bel Air United Methodist Church
- Habitat for Humanity
- Children's Miracle Network
- Tools for Schools collections
- Hope in Handbags collections
- Empty Stocking Fund collections
- Several elementary schools

## FINANCIAL EDUCATION

Freedom continued to focus on financial education initiatives that empower our members and Harford County residents to make smarter financial decisions. Through sponsorships, scholarships, and other educational initiatives in schools throughout the county, Freedom helped many to learn more about the importance of a healthy financial future. In 2017, we:

- Facilitated numerous home buying and selling seminars and expos for first-time homebuyers and those looking for help in their home purchase or selling process
- Hosted Small-Business Banking seminars for Harford County's small business and entrepreneurial community, including members of HCAR
- Hosted dozens of financial seminars throughout Harford County on topics like ID Theft, Budgeting Basics, Using Credit Wisely, and more
- Provided financial education resources for all Harford County public high schools, middle schools, and elementary schools
- Partnered with the Maryland Council on Economic Education to facilitate financial curriculum to Havre de Grace schools

## YOU ARE FREEDOM

As you read this annual report and think about all of the ways that Freedom has been here for our members, anytime they have needed us, I hope that our commitment to your financial health shows through loud and clear. We want you to know we value your trust and the choice you have made to be a member of Freedom. We look forward to serving your financial needs for many years to come.

**YOU ARE FREEDOM,  
AND TOGETHER, WE ARE ALL FREEDOM.**

Respectfully submitted,

Michael Kaiser  
Chairman of the Board

**Freedom continued to focus on financial education initiatives that empower our members and Harford County residents to make smarter financial decisions.**



“Freedom exists solely because of your membership and your trust that we will be a strong, committed financial partner.”



## PRESIDENT AND CEO REPORT

Freedom exists solely because of your membership and your trust that we will be a strong, committed financial partner. This is why our theme for 2018 is **You are Freedom**. Nothing better represents our belief in what is most central to everything we do...YOU.

Our membership has grown over the years. It is comprised of those who have been with us through many generations, and those who have only been with us for a short while. For those who have been with us for many years, we thank you for your continued trust in us. For those new to Freedom, we're excited to support you on your financial journey to help you achieve all of your goals. Please know we will be here for you whenever you need us.

Regardless of how long you have been part of the Freedom family, we will continue to earn your loyalty with a commitment to make you the focus of everything we do. We're listening. We want to hear from you and to know what is most important to you. Your feedback is critical to everything we do.

Many of the products, services, and technology we introduced in 2017 were a direct result of the feedback we received from you in member surveys and focus groups. In 2017, we:

- Introduced new, more competitive Share Certificates to help your savings grow faster
- Launched Anything Loans, Homestyle Loans and Lifestyle Loans, personal loans with great, competitive rates for anything you need
- Provided members the ability to "Design Your Own Credit Card", where you can customize the image on your Freedom VISA credit card to just about anything you want
- Implemented a new Loan Origination System to offer a faster, more intuitive loan process, to improve your experience
- Began offering DocuSign services to streamline the signing, sending, and support of your loan documents, as well as add efficiency, security, and speed to the loan process
- Integrated iTalk into our Contact Center phone system

providing account access 24 hours, 7 days a week.

- Installed a Coin Counting Machine in our Forest Lakes branch, providing a great resource for members to deposit loose coins into their Freedom account(s)—free of charge!
- Implemented more usage of social media, bolstering our engagement on Facebook and Twitter, to ensure you have access to up-to-the-minute, real-time information that may impact you
- Enhanced our Credit Union website to ensure it meets all accessibility requirements and can be used as an important financial resource by all
- Improved our Online and Mobile Banking platforms to offer more features, in a safer, more secure platform, from the comfort of your home, like multi-factor authentication, touch ID, and enhanced Remote Check Deposit
- Started a new CEO Blog on our website so I could communicate with our members on a real level — to share my thoughts from a personal level, not just a business perspective.

Freedom will continue to look for ways to implement future enhancements to products, services, and technology to ensure your experience with us is safe, secure, and impactful to meeting all of your financial needs.

### FINANCIALS

The financials being reported in this 2017 Annual Report are a direct reflection of the health and stability of your Credit Union. Freedom ended 2017 with total assets of \$315.7M, an increase of 1.0% over the prior year. Total share deposits reached \$276.8M.

Our members continued to make Freedom their lender of choice. Total loans provided to our members in 2017 equaled \$96.4M. We provided \$14.0M for home loans and over \$72.7M for auto loans. Freedom finished the year with loan balances totaling \$266.5M. Our loan delinquency ratios remained well below the industry averages.

Freedom is strongly committed to the Harford County business community, and believes strongly in the importance of the small business owner. Because of this, Freedom provided over \$6.4M in loans to our business members in 2017.

Overall, our financial activity translated into a net income of \$1.77M, our highest ever achieved, which supported a return on assets of 0.564%.

Freedom continues to be a well-capitalized institution, with a capital ratio of 8.46% at December 31, 2017.

In 2017, our membership grew to 31,707 members strong, clearly indicating that more and more consumers are understanding and embracing the Credit Union Difference. Increasingly, they look for better value and service from their financial service partners. Freedom is delivering better value and service!

“More consumers are understanding and embracing the Credit Union Difference.”

### 2018

Freedom is well-positioned to achieve another financially strong year in 2018. We continue to be one of the best choices for a safe, secure, and sound financial partner for our members, and the Harford County community.

In 2018, Freedom celebrates 65 years as a Credit Union and we are grateful to the many people who have made your Credit Union what it is today. It is our intention to acknowledge this in ways that honor the past, celebrate the present, and shape the future. The fact that so many of you have placed your trust in Freedom for so long means everything to us. You are truly Freedom!

Respectfully submitted,

Michael MacPherson  
President and Chief Executive Officer







# SUPERVISORY COMMITTEE REPORT

The Supervisory Committee serves as an independent representative of Freedom's 31,707 members, as mandated by The Federal Credit Union Act. The major purpose of the Committee is to protect and safeguard Freedom members' assets. The Committee monitors internal controls, guards against loss, detects areas of fraud and errors, and promotes effectiveness and efficiency of operations. The Committee ensures laws, regulations, and internal policies and procedures are established according to established laws and carried out faithfully. Freedom's Senior Management and staff, Supervisory Committee, and Rowles & Company, LLP, the certified public accounting (CPA) firm, as well as an internal audit firm work together to provide a strong control function as well as ensure members receive the best possible service.

Rowles & Company, LLP performs an annual audit of the Credit Union's financial statements in accordance with generally accepted auditing standards. The internal audit firm administers a comprehensive risk assessment and internal audit program and reports findings to the Committee to ensure compliance with procedures, policies and federal laws and regulations, Freedom Senior Management and staff interact with Rowles & Company, LLP, the internal audit firm and the National Credit Union Administration examiners in executing the various audit objectives.

In 2017 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 2017. Rowles &

Company, LLP performed the Verification of Member Accounts and conducted the 2017 Annual Audit for the Supervisory Committee in January of 2018. The financial report, as presented in this Annual Report, is extracted from that audit.

This Annual Audit Report (as of Dec 31, 2017) 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,

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

**“ The sole purpose of the Committee is to ensure that Freedom is financially safe and sound. ”**





# 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, 2017 and 2016, 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, 2017 and 2016. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2018.

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

**ROWLES**  
& Company, LLP  
Certified Public Accountants

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, 2017 and 2016, 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 21, 2018

8100 Sandpiper Circle, Suite 308, Baltimore, Maryland 21236  
443-725-5395 Fax 443-725-5074 • Website: [www.Rowles.com](http://www.Rowles.com)





# SUMMARY BALANCE SHEETS

Years Ended December 31,	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 21,965,535	\$ 15,352,056
Loans to members, net	267,730,818	266,615,734
Investment securities available for sale	14,079,214	19,860,421
Federal Home Loan Bank stock	706,800	503,200
National Credit Union Share Insurance Fund deposit	2,721,381	2,416,892
Perpetual contributed capital	1,367,927	1,367,927
Accrued interest receivable	798,352	790,315
Property and equipment	4,643,600	4,928,180
Prepaid expenses and other assets	1,667,333	1,176,184
Total assets	<u>\$ 315,680,960</u>	<u>\$ 313,010,909</u>
<b>Liabilities and Members' Equity</b>		
Members' share accounts	\$ 276,833,542	\$ 280,909,677
Federal Home Loan Bank advances	10,000,000	6,000,000
Accrued expenses and other liabilities	2,212,662	1,244,255
Total liabilities	<u>289,046,204</u>	<u>288,153,932</u>
Members' equity		
Regular reserve	3,857,922	3,857,922
Unappropriated undivided earnings	22,841,447	21,069,012
Accumulated other comprehensive income	(64,613)	(69,957)
Total members' equity	<u>26,634,756</u>	<u>24,856,977</u>
Total liabilities and members' equity	<u>\$ 315,680,960</u>	<u>\$ 313,010,909</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, is available at the Park Avenue Branch during normal hours of operation.

# SUMMARY STATEMENTS OF INCOME

Years Ended December 31,	2017	2016
<b>Interest income</b>		
Interest on loans	\$ 11,839,272	\$ 11,228,553
Interest on investments	475,419	460,096
	<u>12,314,691</u>	<u>11,688,649</u>
<b>Interest expense</b>		
Dividends on members' shares	1,354,945	1,134,918
Interest on borrowed funds	12,333	14,629
	<u>1,367,278</u>	<u>1,149,547</u>
Net interest income	10,947,413	10,539,102
<b>Provision for loan losses</b>		
Net interest income after provision for loan losses	1,087,545	1,829,382
	<u>9,859,868</u>	<u>8,709,720</u>
<b>Noninterest income</b>		
Card services	1,097,110	1,083,794
Share draft fees	847,174	850,062
Other	692,336	747,455
	<u>2,636,620</u>	<u>2,681,311</u>
<b>Noninterest expense</b>		
Compensation and benefits	5,168,828	5,044,786
Office occupancy	849,664	841,143
Office operations	781,860	870,769
Education and promotion	435,087	404,043
Loan and card servicing	1,053,488	1,065,308
Data processing and professional services	1,803,116	1,577,074
Other	632,010	457,973
	<u>10,724,053</u>	<u>10,261,096</u>
Net income	<u>\$ 1,772,435</u>	<u>\$ 1,129,935</u>

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# CONTACT US

## MAILING ADDRESS:

P.O. Box 1545, Bel Air, MD 21014  
24/7/365 Member Service

## CONTACT CENTER:

410-676-5700  
800-440-4120  
410-679-2440 (Baltimore)  
TDD: 410-676-9584

## E-MAIL:

[memberservices@freedomfcu.org](mailto:memberservices@freedomfcu.org)

## WEBSITE:

[www.freedomfcu.org](http://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

Federally Insured by NCUA

