

YOUR STORY STARTS WITH

FREEDOM



 **FREEDOM**
FEDERAL CREDIT UNION

Belong To Something Special

ANNUAL REPORT 2018

THE FREEDOM DIFFERENCE

MISSION

To be a trusted partner by creating a culture of people helping people that meets the needs of our members and the communities we serve.

VISION

Offer financial opportunity, choice, and value while building relationships that provide a memorable experience in the lives of our members and the community we serve.

HISTORY

Freedom Federal Credit Union began in 1953 as MATCOM Federal Credit Union. The Credit Union started in Baltimore and later moved to Harford County in support of the Edgewood Arsenal, (which became part of Aberdeen Proving Ground). We received our Harford County community charter in 1999 and changed our name to Freedom Federal Credit Union in 2000. Today, Freedom serves individuals who live, work, worship, volunteer, attend school, or have family in Harford County. We also support local businesses with savings, checking, loans and other business services. We're proud to call Harford County home!



“**Today, Freedom serves individuals who live, work, worship, volunteer, attend school, or have family in Harford County.**”

The Credit Union (Freedom) Difference

Credit Unions offer the same financial services that banks do, but it's how credit unions are different that really matters. Here are some of the ways that Freedom is different from other financial institutions and how we structure ourselves to always put you, our members, first.

Member-Owned

Freedom is owned and controlled by members. Each and every member owns a part of the credit union. Your opinion matters. Your vote counts. You elect a volunteer board of directors to manage the Credit Union.

Not-For-Profit

Freedom operates to promote the well-being of our members. We are a not-for-profit organization, which means we reinvest any profits we make back into the organization. That allows us to provide higher savings rates, lower loan rates, and fewer fees, all while supporting the Harford County community where we live and work.

Community Support

Freedom believes in a strong connection with the communities we serve. Through financial education, donations, sponsorships, scholarships, workplace partnerships, and volunteerism, Freedom is committed to keeping our Harford County communities strong.



CHAIRMAN'S REPORT



Throughout my 15 Years on the Board of Directors for Freedom, and my 10th year as your Chairman, I have seen first-hand the value that Freedom brings to our members' lives, and the difference we make in helping to meet the financial needs of so many. We have served some members for decades, being their financial partner throughout many chapters of their lives. We are also welcoming new members who have joined us this past year, demonstrating to them what the Freedom Difference is all about, and becoming an integral part of their story.

Freedom's Story is measured by defining moments, by milestones that we have achieved throughout our history. But our story is also made richer by the stories of our members. We celebrate our achievements and help you celebrate yours. Throughout times of joy, as well as times of sorrow, we provide support and assistance. Our members' milestones become milestones in our own journey, helping to define who we are.

“ Freedom's Story is measured by defining moments, by milestones that we have achieved throughout our history. But our story is also made richer by the stories of our members. ”

Your financial story is no different. It is intimately connected to everything you do, everything you accomplish, everything you dream to achieve. So many of you have shared your stories with us about how Freedom was there for you when other financial institutions were not. We were able to help with buying your first car or first home, save money by consolidating debt, save for a vacation or home improvement, or restore credit. Whether you are new to the Credit Union, or have been with us for many years, we're here to help you as your story unfolds. Your success is our success.

2018 was another exciting chapter for Freedom. In 2018, Freedom continued to grow as a safe and sound financial cooperative, with continued focus in meeting our members' needs. Our membership took advantage of the products and services the Credit Union offers, including very competitive rates on deposit accounts, low loan rates, and electronic access through online and mobile banking. Because of the activity of our great membership, assets finished strong at \$306M at year end. The most important measurement of a credit union's soundness is its capital ratio. Freedom Federal Credit Union is considered well-capitalized with our year-end capital ratio being 9.21%, the highest in our history. By all accounts, 2018 was a year of strong financial performance.

In 2018, Freedom remained committed to our community, as shown through our outreach initiatives. We partnered and provided resources throughout Harford County, including schools, charities, community organizations, hospitals, the military, and government agencies. In all, we provided over \$130,000 in community support dollars. Freedom employees volunteered their time and talents,

accumulating over 400 hours in support of numerous Harford County nonprofits and organizations.

Finally, one of the fundamental responsibilities of the Board of Directors is to ensure that the Credit Union meets the needs of our membership, and that all operations are performed safely and soundly. Freedom Federal Credit Union is, indeed, a financially safe and sound financial institution, and one that is well positioned for continued success.

Freedom has written many chapters in our 66 years, and we hope to continue to help you live your best financial story for many years to come.

On behalf of the Board of Directors, thank you for your trust and confidence, and for choosing Freedom Federal Credit Union to be your financial partner.

Respectfully submitted,

Michael Kaiser
Chairman of the Board

“ Freedom has written many chapters in our 66 years, and we hope to continue to help you live your best financial story for many years to come. ”

PRESIDENT AND CEO REPORT



“The story you write is completely up to you. But always know that Freedom is here to help you write it ... whenever, or wherever, you need us.”

Your story starts with Freedom. In the nearly seven decades that we have been in existence, we know we have been an integral part of our members' lives. We're something more than just a financial institution ... we're a financial partner through years and generations. One of the things that has remained a constant focus over that time is our support of the communities we serve in the hope that we can make your lives financially better.

Many people think of their finances as nothing more than the money they need to live on a daily basis. You save. You spend. But I would like to challenge you to think of your finances as much more than that. Think of your finances as the key to:

- changing your future for the better
- giving you the freedom you deserve
- helping you change the world for the better
- pursuing the things that inspire you
- writing your story the way you want it to be

As an organization, Freedom constantly strives to better ourselves. We continue to write our story in a way that sees us meeting our financial goals, while also providing the support and commitment to the individuals, communities, and organizations that make Harford County so great. That's why I'm excited to tell you about some of the things we accomplished together in 2018.

In 2018, we:

- Introduced new, high-rate share certificate specials to help your savings grow faster
- Lowered our Anything Loan rate to provide an even better personal loan product for anything you needed
- Introduced a new 0% APR rate for 15 months for purchases and balance transfers, on our Visa® Platinum and Visa Platinum Rewards credit cards

- Expanded our mortgage services offering to include FHA, VA, and Construction loans
- Rolled out a new survey tool called MemberXP™, allowing you to more easily share your feedback, and allowing us to improve our ability to serve you better
- Supported members impacted by 2018's government shutdown and the summer's damaging storms with modified loan assistance
- Installed a second coin counting machine, this time at our Bel Air branch, offering you a great, and absolutely free, option to deposit and manage your loose change
- Added multi-factor authentication for mobile banking, keeping your electronic accounts even more secure than before
- Introduced MoneySmart, a new budgeting tool, to help you more easily track and manage your finances
- Implemented Automated Fraud Alerts to notify you quickly of potential fraud activity using text, email and/or a phone call
- Hosted two Shred-It Days, offering you a free and easy way to destroy sensitive documents in a safe and secure manner
- Provided over 15,000 prizes to reward the students who completed the Harford County Public School's Patriot Program
- Provided over \$3,000 to three visionary Harford County Teachers through our Golden Apple Scholarship Contest
- Enhanced numerous internal processes, making it easier than ever to do business with us, whether you are visiting a branch, logging into Home or Mobile Banking, or calling our Contact Center
- Developed the Homeruns for Healthy Kids program in partnership with the Aberdeen IronBirds, to benefit the patients at MedStar Bel Air Pediatrics
- Created the #FreedomtoHelpChallenge social media contest to benefit local Harford County nonprofit organizations
- Facilitated numerous Home Buying, and Home Selling seminars, in addition to hosting 10 Mortgage Days events, to help educate members on the complete home financing process
- Hosted dozens of financial education seminars throughout Harford County schools, at APG, and numerous workplace partners
- Provided over \$130,000 in sponsorships, scholarships, and donations to support the Harford County Community
- Volunteered over 400 hours to support Harford County non-profit organizations

Financials

Freedom achieved another year of solid financial performance. We continued to build a safe and strong foundation for future growth, and our performance is a direct result of the health and stability of your Credit Union.

We ended the year with a net worth ratio of 9.21%, the highest in our history, and well above the regulatory standard for well-capitalized credit unions. This is a very important statistic as it measures the "reserves" Freedom has built to weather any future downturns in the economy.

Freedom welcomed over 2,700 new member-owners to the Credit Union in 2018. In all, over 31,700 members continue to embrace the Freedom Difference.

Freedom ended 2018 with total assets of \$306M. Total share deposits reached \$275.7M. Loan activity was strong with more than 1,000 consumer loans approved for a total of \$13.7M. We approved 163 new home loans for a total of \$13.7M, and we funded over 1,700 new auto loans for a total of \$50M.

Harford County business owners continued see the value that Freedom brings to the small business community. In 2018, Freedom provided \$9.4M in loans to our business members.

Overall, Freedom produced net income of \$1.47M, the second highest in our history.

2019

Looking forward to 2019, Freedom will continue to improve our product mix and online service channels, providing the value and convenience our members expect. We will refresh our deposit products, certificate, money market, and IRA accounts so that we continue to offer greater financial value for our members. We will make further improvements to online banking, our

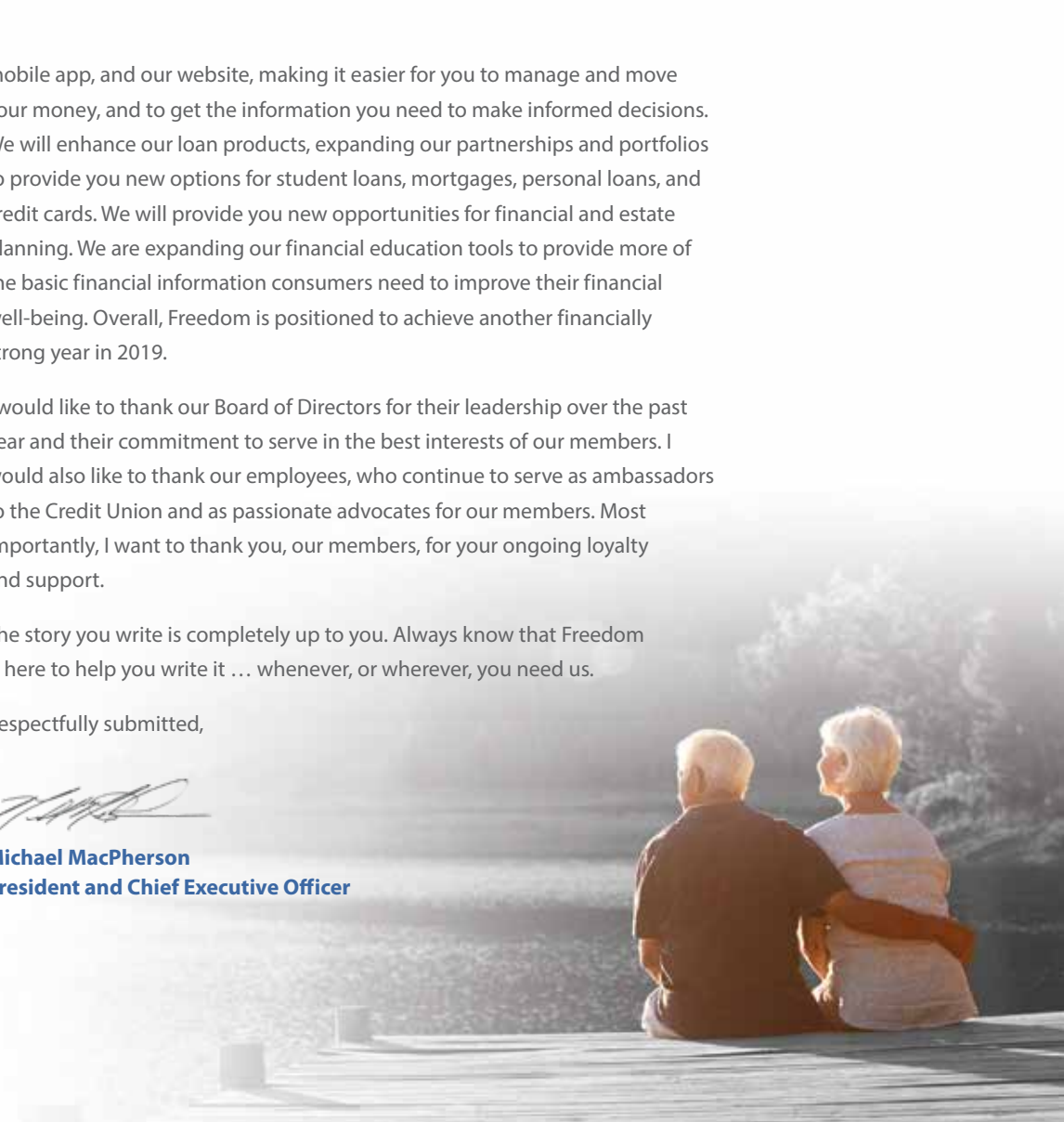
mobile app, and our website, making it easier for you to manage and move your money, and to get the information you need to make informed decisions. We will enhance our loan products, expanding our partnerships and portfolios to provide you new options for student loans, mortgages, personal loans, and credit cards. We will provide you new opportunities for financial and estate planning. We are expanding our financial education tools to provide more of the basic financial information consumers need to improve their financial well-being. Overall, Freedom is positioned to achieve another financially strong year in 2019.

I would like to thank our Board of Directors for their leadership over the past year and their commitment to serve in the best interests of our members. I would also like to thank our employees, who continue to serve as ambassadors to the Credit Union and as passionate advocates for our members. Most importantly, I want to thank you, our members, for your ongoing loyalty and support.

The story you write is completely up to you. Always know that Freedom is here to help you write it ... whenever, or wherever, you need us.

Respectfully submitted,

Michael MacPherson
President and Chief Executive Officer



WHAT OUR MEMBERS SAY ABOUT

FREEDOM

IN THE

COMMUNITY

PARTNERSHIPS

“A long time ago they were the only financial institution that would work with a newly single mom when other banks laughed at me. A long relationship with a great financial institution was born. I feel safe that my money is in good hands. And, I now live out of state, and it’s still a good thing!”

- **Claudia D.**

“I bank at Freedom Federal Swan Creek Branch, and I have to say that the staff at this location are second to none. When I come through the door, I’m always greeted with a smile, and you can see that the staff really cares about you as a customer, and they don’t take your business for granted. I have never experienced such great customer service from any other financial institution. Thanks Freedom Federal Credit Union for making a difference in Harford County!”

- **Jeff D.**

“I love going into my branch in Forest Hill, where everyone greets me with a smile and a great attitude. I had an issue with fraud on my debit card, which Freedom caught within hours of the fraudulent transaction. Thanks for all you do!”

- **Karah S.**

“If you want to work with a credit union that is fair and friendly, Freedom Federal is the place for you. They seem to only hire the best, as I have never had a bad experience with any of their employees. Everyone, no matter the location, has always been welcoming, helpful, knowledgeable, hardworking, and time efficient. I’ve never had a transaction they can’t handle. I highly recommend Freedom Federal, as they have yet to disappoint. I truly thank them for always being easy to work with and trustworthy.”

- **Brittany S.**

“Customer-first service! Have been a customer for years!”

- **Kathy A.**

“I’ve been banking with Freedom for 20 years or more because they have great customer service, offer very competitive rates on cars and home loans (I have both at Freedom), and they offer leading-edge banking technology for a Credit Union. To underscore this, Freedom just helped us navigate a tricky car buying experience with a local dealer.”

- **Patrick R.**



If you want to work with a credit union that is fair and friendly, Freedom Federal is the place for you.



Freedom Federal Credit Union Supports and Partners with Many Harford County Organizations Including:

Aberdeen Chamber of Commerce
Abingdon Elks Lodge #2354
Alpha Phi Alpha
American Cancer Society
Anna’s House
APG Civilian & Military Spouses Club
APG Morale, Welfare and Recreation
APG Retirees
APG Centennial Celebration and Discovery Center
ARC Northern Chesapeake Region
Army Alliance
Army Community Services
Association of the United States Army (AUSA)
ATHENA Leadership Award (Harford Community College)
APG Wounded Warrior Fisher House
Bel Air Downtown Alliance
Bel Air Community Foundation
Bel Air Rotary Club
Boys & Girls Clubs of Harford County
The Brandon Tolson Foundation
Business and Education Advisory Council (BEPAC)
Charlie Riley Community Service Scholarship
Chesapeake Professional Women’s Network
Chesapeake Science & Security Corridor
Chesapeake Therapeutic Riding
Community Foundation of Harford County

Credit Union Foundation
Credit Union House
The Empty Stocking Fund
Extreme Family Outreach
Freestate ChalleNGe Academy
Greater Bel Air Community Foundation
Greater Harford Committee
Habitat for Humanity Susquehanna
Harford Business Roundtable for Education
The Harford Center
Harford Community College
Harford County Association of Realtors (HCAR)
Harford County Chamber of Commerce
Harford County Clean Commute
Harford County Education Foundation
Harford County Good Scout Award
Harford County Public Library Foundation
Harford County Public Schools (HCPS)
Harford Family House
Harford Leadership Academy
Harford Roundtable for Education
Harvest House
Havre de Grace Chamber of Commerce
Havre de Grace Housing Authority
HCPS Patriot Program
Humane Society of Harford County

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Credit Union House
The Empty Stocking Fund
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Harford County Public Library Foundation
Harford County Public Schools (HCPS)
Harford Family House
Harford Leadership Academy
Harford Roundtable for Education
Harvest House
Havre de Grace Chamber of Commerce
Havre de Grace Housing Authority
HCPS Patriot Program
Humane Society of Harford County

John Carroll School
Maryland Center for the Arts
Maryland Council on Economic Education
Maryland and DC Credit Union Association
Maryland Coalition for Financial Literacy
Maryland State Department of Education
Mason Dixon Business Association
Mason Dixon Community Services
MedStar Health Bel Air Foundation
Miracle League of Harford County
National Credit Union Foundation
Northeastern Maryland Technology Council (NMTC)
Rockfield Manor
Rotary Club of Aberdeen
Route 40 Business Association
Saint Margaret’s Church
SARC
Society of Italian American Businessmen (SIAB)
The Southern Harford Rotary Club
United Way
Upper Chesapeake Health Foundation
Welcome One Emergency Shelter
Women in Defense
Women’s Giving Circle
Y of Central Maryland – Harford County

SUPERVISORY COMMITTEE REPORT



The Supervisory Committee serves as an independent representative of Freedom's 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 and carried out faithfully according to established laws. Freedom's Senior Management and staff, the Supervisory Committee, and Rowles & Company, LLP (the outside certified public accounting (CPA) firm), as well as an independent outside 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 (NCUA) examiners in executing the various audit objectives.

In 2018, 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 2018. Rowles & Company, LLP performed the Verification of Member Accounts and conducted the 2018 External Annual Audit for the Supervisory Committee in January of 2019. The financial report, as presented in this Annual Report, is extracted from that audit.

This Annual Audit Report (as of Dec. 31, 2018) 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
Alma Talbert, Member
Jim Church, Jr., Secretary
Nick Pindale, 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, 2018 and 2017, 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, 2018 and 2017. We expressed an unmodified audit opinion on those audited financial statements in our report dated March 25, 2019.

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, 2018 and 2017, 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.

Baltimore, Maryland
March 25, 2019

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443-725-5395 Fax 443-725-5074 • Website: www.Rowles.com

ROWLES
& Company, LLP
Certified Public Accountants



The Committee monitors internal controls, guards against loss, detects areas of fraud and errors, and promotes effectiveness and efficiency of operations.

SUMMARY

BALANCE SHEETS

AND STATEMENTS OF INCOME

Years Ended December 31,	2018	2017
Assets		
Cash and cash equivalents	\$ 25,741,854	\$ 21,965,535
Loans to members, net	263,163,772	267,730,818
Investment securities available for sale	5,955,421	14,079,214
Federal Home Loan Bank stock	284,200	706,800
National Credit Union Share Insurance Fund deposit	2,703,194	2,721,381
Perpetual contributed capital	1,367,927	1,367,927
Accrued interest receivable	747,478	798,352
Property and equipment	4,507,578	4,643,600
Investment in credit union service organization	381,316	361,107
Prepaid expenses and other assets	1,173,789	1,306,226
Total assets	<u>\$ 306,026,529</u>	<u>\$ 315,680,960</u>
Liabilities and Members' Equity		
Members' share accounts	\$ 275,688,529	\$ 276,833,542
Federal Home Loan Bank advances	-	10,000,000
Accrued expenses and other liabilities	2,288,466	2,212,662
Total liabilities	<u>277,976,995</u>	<u>289,046,204</u>
Members' equity		
Regular reserve	3,857,922	3,857,922
Unappropriated undivided earnings	24,314,609	22,841,447
Accumulated other comprehensive income	(122,997)	(64,613)
Total members' equity	<u>28,049,534</u>	<u>26,634,756</u>
Total liabilities and members' equity	<u>\$ 306,026,529</u>	<u>\$ 315,680,960</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, cash flows, and the notes to the financial statements, is available at the Park Avenue Branch during normal hours of operation.

Years Ended December 31,	2018	2017
Interest income		
Interest on loans	\$ 11,958,727	\$ 11,839,272
Interest on investments	614,124	475,419
	<u>12,572,851</u>	<u>12,314,691</u>
Interest expense		
Dividends on members' shares	1,287,787	1,354,945
Interest on borrowed funds	31,620	12,333
	<u>1,319,407</u>	<u>1,367,278</u>
Net interest income	11,253,444	10,947,413
Provision for loan losses	<u>1,342,586</u>	<u>1,087,545</u>
Net interest income after provision for loan losses	<u>9,910,858</u>	<u>9,859,868</u>
Noninterest income		
Card services	1,251,896	1,097,110
Share draft fees	798,428	847,174
Gain on sale of investment securities available for sale	7,780	825
Loss on sale of foreclosed real estate	(1,981)	(13,655)
Gain on sale of loans	34,209	12,113
Other	848,053	693,053
	<u>2,938,385</u>	<u>2,636,620</u>
Noninterest expense		
Compensation and benefits	5,524,749	5,168,828
Office occupancy	863,396	849,664
Office operations	769,826	781,860
Education and promotion	446,597	435,087
Loan and card servicing	1,201,746	1,053,488
Data processing and professional services	2,019,680	1,803,116
Other	550,087	632,010
	<u>11,376,081</u>	<u>10,724,053</u>
Net income	<u>\$ 1,473,162</u>	<u>\$ 1,772,435</u>

COMMUNITY AND FINANCIAL SUPPORT

Freedom Federal Credit Union's Business Development Director, Patrice Ricciardi, stands with the 4th Grade Patriots of Prospect Mill Elementary School in celebration of their completion of the Patriot Program.



Helping out at the Extreme Family Outreach's "Holidays for Hope".



Stuffing stockings for the Empty Stocking Fund.



Freedom Federal Credit Union President and CEO, Mike MacPherson, awards prize money to 2018 Golden Apple Annual Education Award recipients (L to R): Jacob Bennett, Kathleen Ford, and Tara Recor.



Freedom Federal Credit Union President and CEO, Mike MacPherson, presents grand prize check to #SummerofFreedomFCU contest winner, Daniel Koncurat.



The Brandon Tolson Foundation accepting their winning prize for the 2018 #FreedomToHelpChallenge contest, which celebrated volunteers and the Harford County organizations they support.



“In 2018, Freedom remained committed to our Harford County community through sponsorships, donations, and volunteer support.”

Freedom Federal Credit Union presents The Upper Chesapeake Health Foundation with its 2018 sponsorship for \$15,000. Pictured are: (L to R) Foundation representatives, Ken Ferrara and Donna Tower Lenzner, and Freedom Federal Credit Union representatives, Mike MacPherson, Patrice Ricciardi, Keith Gill, and Michele Young.



Sorting through purses donated by Freedom members for the Hope in Handbags Collection benefiting Harford Family House.



Sorting donations for Harford County Education Foundation's Tools for Schools collection.



In celebration of Freedom Federal Credit Union's first annual Homeruns for Healthy Kids program, IronBirds Mascot, Ferrous, sits with MedStar pediatric patients, Brandon Rosa and Angelique Madu as their dedicated care team gather with executive staff from Freedom Federal Credit Union and the Aberdeen IronBirds to accept the Credit Union's donation on behalf of MedStar's pediatric care unit in Bel Air.



CONTACT US

MAILING ADDRESS:

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Bel Air, MD 21014
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410-679-2440 (Baltimore)
TDD: 410-676-9584

E-MAIL:

memberservices@freedomfcu.org

WEBSITE:

freedomfcu.org

BRANCHES

EDGEWOOD BRANCH

8213 Hoadley Road, Building E 5002
Gunpowder, 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

