

2016 Family First Annual Report



Financial Performance + Member Satisfaction + Operating Efficiency
+ Community Involvement + Innovation =

Sustainable Excellence



MESSAGE FROM THE PRESIDENT/CEO AND CHAIRMAN

A strong indicator of a financial institution's success is its ability to continuously perform proficiently. To establish and maintain such an institution, Family First of NY Federal Credit Union continued to build on the concept of sustainable excellence and its five influential characteristics. These characteristics, discussed below, played a vital role in our growth and performance in 2016.

Financial Performance/Portfolio

In our continuing effort to diversify our loan portfolio and further our commitment to small businesses, an experienced commercial loan originator was added to our staff. Approximately \$1.5M in commercial loans were funded in 2016 and our plan for 2017 includes an additional \$10M. Along with providing diversification, these loans will also improve the profitability of our loan portfolio. Additional products specifically designed with the needs of small business owners in mind were developed and rolled out to our membership as well.

Two mortgage originators were added to our staff during the year. These new employees, along with our more seasoned mortgage team, originated \$32M in member mortgage loans. Of these mortgage loans, a total of 58 loans with balances of \$5.8M were first-time home buyers who took advantage of our First Home Club, which provides a grant for up to \$8,000 towards their mortgage and closing costs.

An initiative to improve our deposit mix led to the development of incentives which focused on rewarding those members who regularly conduct business with us. We felt it was important to reward our fully engaged members, rather than those who bring deposits to us only when we have the "hot" rate in town. With this strategy, we were able to increase core credit union deposits by \$10M while reducing the higher cost certificate balances by almost \$5M.

Member and Employee Satisfaction

Last year a successful "Member Appreciation Week" was launched with a theme "Health is Wealth". Staff and members were engaged and excited to participate in the week long activities and we look to expand upon it in 2017. The annual member survey was distributed in June. When asked, on a scale of 1 through 10 "How likely would you be to recommend Family First to a friend or family member?", Family First scored a whopping 8.85. We are very proud of this result, but don't expect us to rest on this. We are always looking to improve and innovate. We are also always looking for feedback from our members. One form of member communication we focused on in 2016 was Facebook, where we currently have a review rating of 4.6 on a 1 to 5 scale. As our members continue to increase their engagement with surveys, social media dialogue, and staff interaction, we will continue to explore ways to thank them. We are planning to roll out a comprehensive referral program in 2017 as we recognize our members are our best recruiting tool.

Employees remain the most important asset of this credit union and we continue to work hard to strengthen these relationships. Staff surveys have identified a need for ongoing training and in 2016 a trainer was added to our staff. This position will focus on onboarding new employees and continuously updating existing staff on both system and process training. A new benefit system offering more personal choices was added in 2016. This system provides a cafeteria-style plan for diverse benefits, including competitive health plans from both MVP and Excellus. Staff surveys will continue and we will develop new initiatives to keep our staff engaged and rewarded.



TOM DAMBRA
President/CEO



MARK SANSOUCI
Chairman of
the Board

"As our members continue to increase their engagement with surveys, social media dialogue, and staff interaction, we will continue to explore ways to thank them."

Operating Efficiency and Effectiveness

Recognizing our limits within the existing field of membership, a proposal to expand our charter was completed in 2016. Approval of this expansion, to include all of Monroe County, was received from the NCUA in July, 2016. This will significantly increase the area in which we are able to pursue small business clientele and commercial loans as well as potential members. We are truly excited to be able to offer our First Home Club grants to all Monroe County residents.

Cost savings initiatives led to the engagement of two external partners that helped increase our revenue and reduce our property tax assessments which in turn reduced our real estate taxes. Total revenue enhancement/expense reduction was approximately \$50,000.

Community Well-Being

The communities we serve are very important to us and while we would love to sponsor, host or participate in every event we must remain mindful of our commitment to our members and continue to be good stewards of their money. With that said, we focus on events that engage our members and employees, and events that represent Family First's passion for community, family, and small businesses; we have included a partial list of these events here. We offered events such as our annual Fall Harvest Festival, Hot Dog Days and our Santa visit to thank our members and celebrate with the community. We sponsored various East Rochester, Fairport, Penfield and Webster school district events, Joyful Rescue's Dog Day Afternoon, and the East Rochester Clean Sweep. We sponsored and participated in the Penfield Central School District's Booster Club Golf Tournament, School of the Holy Childhood Golf Tournament, and the Penfield Business Association Golf Tournament. We once again awarded two (2) \$1,000 scholarships to deserving high school seniors from our local community.

Innovation

A comprehensive suite of products and services related to small businesses were developed throughout 2016. In addition to a variety of checking and loan products for small businesses, we introduced a merchant services product. The fee income derived from this product requires no in-house expenditures while delivering another benefit to our small business customers.

As we continue to keep a pulse on technology, the 2016 member survey showed that 82% of our members believe that Family First's online banking technology meets their needs "very well to extremely well." We see this as a great sign that we are keeping up with members' technological expectations. In 2017 enhancements to our debit/credit cards can be expected, along with account alerts delivered electronically. Members will also be able to personalize their debit or Platinum credit cards with a photo of their choice.

Closing Thoughts

As we look back on a year with new advances and promising changes, including a full year with a new president, we are proud that Family First continues to offer its members the technology, products and service they deserve. With that said, we realize our job is never done. A sustainably excellent institution must continuously evaluate and improve each pillar of its operation in order to remain efficient and to provide its key constituents – its members, employees, and the community – the commitment to excellence they deserve. Thank you for your continued confidence in Family First.

Sincerely,



Tom Dambra
President/CEO



Mark Sansouci
Chairman, Board of Directors

STATEMENT OF INCOME

FOR THE YEARS ENDING

DECEMBER 31, 2016 & 2015

	<u>2016</u>	<u>2015</u>
INTEREST INCOME		
LOANS TO MEMBERS	\$6,688,526	\$6,412,273
INVESTMENTS	\$259,460	\$172,127
TOTAL INTEREST INCOME	\$6,947,986	\$6,584,400
INTEREST AND DIVIDEND EXPENSE		
DIVIDENDS ON MEMBER AND NON-MEMBER DEPOSITS	(\$661,138)	(\$633,585)
INTEREST ON BORROWED FUNDS	(\$154,179)	(\$118,831)
TOTAL INTEREST AND DIVIDEND EXPENSE	(\$815,317)	(\$752,416)
NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES	\$6,132,669	\$5,831,984
PROVISION FOR LOAN LOSSES	(\$218,115)	(\$245,934)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	\$5,914,554	\$5,586,050
NON-INTEREST INCOME		
FEES, CHARGES AND OTHER OPERATING INCOME	\$2,381,351	\$2,441,653
NON-INTEREST EXPENSES		
COMPENSATION AND BENEFITS	\$3,326,572	\$3,316,431
OFFICE OCCUPANCY AND OPERATIONS	\$2,468,420	\$2,226,549
PROFESSIONAL AND OUTSIDE SERVICES	\$1,158,191	\$1,139,610
FEDERAL OPERATING FEE	\$30,599	\$28,026
NCUA CHARGES	\$-0-	\$-0-
ASSOCIATION DUES	\$30,380	\$40,880
TOTAL NON-INTEREST EXPENSES	\$7,014,162	\$6,751,496
NET INCOME	\$1,281,743	\$1,276,207

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2016 & 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$1,490,091	\$1,433,612
INVESTMENTS IN CERTIFICATES OF DEPOSIT	\$15,129,000	\$13,184,000
OVERNIGHT DEPOSITS AT FINANCIAL INSTITUTIONS	\$4,925,000	\$9,400,119
CASH VALUE OF INSURANCE ANNUITY INVESTMENT	\$1,544,713	\$1,501,560
CAPITAL SHARES OF CORPORATE CREDIT UNION	\$173,007	\$173,007
FHLB Stock	\$556,700	\$555,300
LOANS TO MEMBERS, NET	\$146,610,719	\$135,519,395
ACCRUED INTEREST RECEIVABLE	\$542,328	\$500,782
PREPAID EXPENSES AND OTHER ASSETS	\$2,103,610	\$898,094
PROPERTY AND EQUIPMENT, NET	\$5,557,261	\$5,675,544
NCUSIF DEPOSIT	\$1,376,587	\$1,329,080
TOTAL ASSETS	\$180,009,016	\$170,170,493
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
MEMBER AND NON-MEMBER DEPOSITS	\$148,816,436	\$139,944,142
BORROWINGS	\$10,000,000	\$10,118,053
ACCRUED DIVIDENDS PAYABLE	\$15,463	\$15,430
ACCOUNTS PAYABLE, ACCRUED EXPENSES, AND OTHER LIABILITIES	\$1,859,737	\$2,032,363
TOTAL LIABILITIES	\$160,691,636	\$152,109,988
MEMBERS' EQUITY		
REGULAR RESERVE	\$2,451,043	\$2,451,043
UNDIVIDED EARNINGS	\$16,891,205	\$15,609,462
ACCUMULATED OTHER COMPREHENSIVE INCOME	(\$24,868)	\$-0-
TOTAL MEMBERS' EQUITY	\$19,317,380	\$18,060,505
TOTAL LIABILITIES & MEMBERS' EQUITY	\$180,009,016	\$170,170,493

FAMILY FIRST IS PROUD TO SUPPORT OUR COMMUNITY



Throughout 2016, the Family First staff and management participated in a number of activities that supported the East Rochester, Henrietta, Penfield and Webster communities. As a local financial institution, our employees live in the communities we serve, and we are happy to help and demonstrate our commitment to those communities.

LEADERSHIP, LAUGHTER, LEGACY

We're proud to award the **Tenth Annual Len Szumiloski Scholarships** in the name of the former President and CEO of Family First (then known as the Penfield Federal Credit Union) from 1972 to 1997. Len passed away in 2005, but his spirit lives on in the credit union's love for the community and the people it serves.



For the 2016-17 academic year, we asked applicants to select a topic from Family, Integrity, Relationships, Service and Trust, our Family First values, and to describe how important it is in their everyday lives and their future. The two student members selected were evaluated not only on their essay submissions, but their excellent scholastic records, extracurricular activities, community involvement, and a focus on the credit union's and our founder's philosophy of "people helping people." We are pleased to award two \$1,000 scholarships to Allison Prescott and Jenna Simpson, both seniors at Fairport High School. Congratulations and good luck in all your future endeavors!

SUPERVISORY COMMITTEE MESSAGE



HUGH FRANKLIN
Chairman of the Supervisory Committee

The basic function of the Supervisory Committee is to monitor the safety and soundness of the credit union.

In short, to make sure your funds are secure. We do that by conducting a series of reviews and audits to validate various facets of the credit union that include: audits of loan files, surprise cash counts at the teller line, cash counts of the vault, and verification of closed accounts.

The committee also reviews internal controls such as operational and financial standards, financial statements, external auditor's report, maintenance of internal controls, and verifying the investment holdings of the credit union. In addition, we are responsible for overseeing the financial reporting process to all governmental agencies and ensuring that management has established an effective structure of internal controls. We have engaged an "internal" auditor to assist us with this process.

We are also in charge of scheduling and monitoring an audit by a Certified Public Accounting firm. We have contracted with The Bonadio Group to conduct an audit of the credit union's financial records and system of internal controls as of December 31, 2016. The auditors report directly to the Board of Directors and Supervisory Committee on any findings. We are pleased to announce that again this year there weren't any exceptions to report.

The current Supervisory Committee members include: Hugh Franklin, Chairman; Ken Dell, Greg Evershed and Brian Short.

To contact the Committee, you may write to us at PO Box 25393, Rochester, NY 14625 or e-mail us by going to www.familyfirstny.com, clicking on "Contact Us" and submitting the form.

**Thank You To Our Employees Celebrating
Their Anniversary With Family First**
We Appreciate All You Do.



MICHELLE PHILLIPS
Accounting
10 Years



ELIZABETH SCHMIDT
Member Services
10 Years



GUY TADDEO
Marketing
10 Years



JON KILMER
Mortgage
5 Years

FAMILY FIRST OF NY FEDERAL CREDIT UNION

THOMAS DAMBRA, *President/CEO*

BOARD OF DIRECTORS

MARK SANSOUCI, *Chairman of the Board*

RYAN PAYMENT, *Vice-Chairman of the Board*

BARBARA MOEHLE, *Secretary/Treasurer*

JAMES COSTELLO

DONNA DEDEE

HUGH FRANKLIN

DONALD MILTON

Locations

East Rochester | 375 Fairport Road

Henrietta | 1225 Jefferson Road | Frontier Commons

Penfield | 2520 Browncroft Boulevard

Webster | 850 Ridge Road

Hours

Monday, Tuesday, Thursday: 9 a.m. – 4:30 p.m.

Wednesday: 10 a.m. – 4:30 p.m.

Friday: 9 a.m. – 6 p.m.

Saturday: 9 a.m. – 1 p.m.

Contact Us

585.586.8225 | www.familyfirstny.com

