

# 2020 Balance Sheet & Income Statement



## Balance Sheet

as of December 31, **2020** **2019**

### ASSETS

#### Cash and Cash Equivalents

Cash	\$1,671,921	\$1,515,283
Overnight Investments	959,652	400,797
Due From Financial Institutions	89,653,742	20,034,554
<b>TOTAL Cash &amp; Cash Equivalents</b>	<b>92,285,315</b>	<b>21,950,634</b>

#### Investments

Federal Agency Securities	51,895,348	69,984,685
Mortgage Backed Securities	46,451,075	39,887,938
Certificates of Deposit	31,999,000	40,499,000
Equity Investments	2,129,400	1,846,500
AFS Valuation Reserve	2,112,626	604,170
<b>TOTAL Investments</b>	<b>134,587,449</b>	<b>152,822,293</b>

#### Loans

Credit Card	9,433,919	11,186,157
Other Unsecured	4,068,508	5,110,517
Share Secured	725,389	697,639
New Vehicle	12,994,427	12,260,402
Used Vehicle	21,151,274	21,056,429
First Mortgage	91,923,194	71,668,650
Other Real Estate	39,207,185	44,695,208
All Other	165,430	182,109
<b>GROSS Loans</b>	<b>179,669,326</b>	<b>166,857,111</b>
Allowance for Loan Losses	(660,594)	(609,438)
<b>TOTAL Loans, Net</b>	<b>179,008,732</b>	<b>166,247,673</b>

#### Other Assets

NCUA insurance	3,262,384	2,977,335
Accrued Interest on Investments	409,667	544,262
Accrued Interest on Loans	323,776	311,433
Other Assets	1,431,783	875,977
Fixed Assets	7,356,645	6,909,730
<b>TOTAL Other Assets</b>	<b>12,784,255</b>	<b>11,618,737</b>
<b>TOTAL Assets</b>	<b>\$418,665,751</b>	<b>\$352,639,337</b>

### LIABILITIES AND EQUITY

#### Deposit

Regular Shares	\$229,037,217	\$189,465,725
Share Drafts	76,667,167	58,599,821
Money Market	26,005,670	22,095,065
Share Certificates	36,090,183	35,080,774
IRA Shares	7,561,901	7,333,977
IRA Certificates	7,314,641	7,200,499
<b>TOTAL Deposits</b>	<b>382,676,779</b>	<b>319,775,861</b>
All Other Liabilities	2,607,592	2,069,663
<b>TOTAL Liabilities</b>	<b>385,284,371</b>	<b>321,845,524</b>

#### Equity

Regular Reserves	4,181,641	4,181,641
Undivided Earnings	27,087,113	26,008,002
Net Unrealized Loss on Investments AFS	2,112,626	604,170
<b>TOTAL Equity</b>	<b>33,381,380</b>	<b>30,793,813</b>
<b>TOTAL Liabilities &amp; Equity</b>	<b>\$418,665,751</b>	<b>\$352,639,337</b>

## Income Statement

as of December 31, **2020** **2019**

### INTEREST INCOME

Interest on Overnight Investments	\$2,557	\$18,341
Interest on Other Investments	2,851,667	3,633,291
Interest on Loans	6,845,789	6,706,197
<b>TOTAL Interest Income</b>	<b>9,700,013</b>	<b>10,357,829</b>

<b>TOTAL Interest Expense</b>	<b>1,492,719</b>	<b>1,552,729</b>
<b>NET Interest Income</b>	<b>8,207,294</b>	<b>8,805,100</b>

Provision for Loan Losses	(104,000)	(203,000)
<b>Net interest income After Prov for loan losses</b>	<b>8,103,294</b>	<b>8,602,100</b>

### NON-INTEREST INCOME

Fee Income	252,965	398,047
Other Operating Income	1,680,685	1,713,950
Gain on the Sale of Loans	390,745	86,065
Gain(Loss) on the Sale of Investments	126,491	(600)
(Loss)Gain on Sale of REO	(28,208)	2,700
<b>TOTAL Non-Interest Income</b>	<b>2,422,678</b>	<b>2,200,162</b>

### NON-INTEREST EXPENSE

Salaries	3,611,554	3,728,873
Benefits	1,050,126	1,048,827
Travel & Conference	4,094	21,745
Office Occupancy	631,317	595,710
Office Operations	2,554,952	2,586,101
Marketing	301,579	369,740
Loan Servicing	751,288	667,588
Outside Services	445,383	449,561
NCUA Insurance and Operating	96,077	91,863
Other Operating	491	202,405
<b>TOTAL Non-Interest Expense</b>	<b>9,446,861</b>	<b>9,762,413</b>
<b>NET Income</b>	<b>\$1,079,111</b>	<b>\$1,039,849</b>

## Supervisory Committee Message

The Picatinny Federal Credit Union (PFCU) Supervisory Committee is statutorily regulated and is responsible for ensuring that the Board of Directors and Management of the Credit Union meet required financial reporting objectives and establish practices and procedures to safeguard members' assets.

As part of our duties, we have contracted with the CPA firm Nearman, Maynard, Vallez, CPAs to perform the certified annual audit as of December 31, 2020 and CliftonLarsonAllen LLP to perform the internal audit procedures. These audits include operational policies, procedures, and internal controls of the Credit Union. After careful reviews of all audit reports, the Supervisory Committee concludes that the Credit Union is financially sound and has complied with all Generally Accepted Accounting Principles and applicable Federal and State regulations.

Kim Jones  
Acting Supervisory Committee Chairperson

# Letter from the Chairman & CEO

Dear Member,

So many words and phrases have been used to describe the year 2020 that it seems almost cliché to expand on what has been said. The word “unprecedented” was probably the most overused word for the year.

Like most other businesses, we were not fully prepared for a pandemic in January of 2020. By February, we were trying at the time to get some initiatives off the ground to further improve your experience at PFCU. By March, we were trying to react to something we had no experience with. We scrambled to get Personal Protective Equipment (PPE) that was almost completely unavailable. In order to protect employees and members, we closed our lobbies to appointment only and kept open our drive ups at Denville and Mount Olive. We were able to secure enough technology to get 20 of our employees working from home. Many of our members faced these same challenges at their places of employment, some in a much more challenging way.

In March the U.S. economy began to rapidly deteriorate. Weekly unemployment filings were measured in the millions. Service business and retail stores shut down. It was, well, unprecedented. In order to ease any possible strains on the banking system, the Federal Reserve cut its short-term interest rates to zero and injected liquidity into the system through securities purchases. The Federal Government would also step in with various initiatives that would include loans to businesses, extended unemployment benefits, Operation Warp Speed to develop a successful vaccine, and direct payments to individuals and households to stimulate the economy.

Even with these efforts, we remain in a battle. Sadly, at this writing over 500,000 Americans have died as a result of the virus with New Jersey being one of the hardest hit states. But there is also some good news. Real progress is being made in the roll out of vaccinations. Service businesses are beginning to reopen. Unemployment claims are declining each week, and many other economic metrics are turning positive.

It is difficult to talk about our successes in a year with so much tragedy, but as a member, we think it would be encouraging for you to hear.

We undertook a complete renovation of our Rockaway branch in 2020 to be more in line with our concept of Member Experience Professionals or universal employees. It is brighter, more welcoming and includes cash dispensing machines and now two ATMs.

We launched a brand-new online banking platform that includes new features like credit card fraud protection, Zelle®, Bank-to-Bank transfers and so much more including an updated look and feel. At the same time, we launched a new website that is more intuitive and easier to navigate.

The reduction in interest rates created the lowest mortgages in history. At one point we were offering 30-year fixed rate mortgages at rate of 2.62%. With the added value of our flat fee program, we were able to close 216 first mortgages totaling \$55.9 million – a company record.

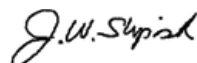
As members hunkered down in their homes and our branch lobbies were closed, they began to explore and use many of our digital products including mobile banking, mobile deposits, Zelle® and many more. Our members learned that we have the technology for them to be connected to us anytime, anywhere.

We are very hopeful as we head into 2021. Loan delinquency is at an all-time low. Many of our members paid down debt and now have the capacity to borrow when the economy completely reopens. Deposits are at an all-time high. As a result of increased savings with much of the economy closed and stimulus payments from the government our deposits increased by \$62.9 million in 2020. We believe the economy will begin to open up in a big way in the third quarter of 2021 and our members like many Americans, will help stimulate it to its pre pandemic levels.

We thank you for being a member, especially in this difficult year. We pledge to bring you the product, services, technology and service to help you achieve your goals and realize your dreams.

Very Truly Yours,

Joe Shiposh  
Chairman of the Board



Keith McCarthy  
President & CEO



## BOARD OF DIRECTORS

Chairman . . . . . Joe Shiposh  
Vice Chairperson . . . . . Nancy Mueller-Davis  
Treasurer . . . . . Jay Decker  
Assistant Treasurer . . . . . Gary Caltabilotta  
Secretary . . . . . Leon Moreau, IV  
Director . . . . . Matthew Adams  
Director . . . . . Joe Carroll

## BOARD OF DIRECTORS (continued)

Director . . . . . Anthony Hawthorne  
Director . . . . . Kim Jones  
Director . . . . . Valerie Morgan  
Director . . . . . Ray Rokicki

## CREDIT UNION CEO

President & CEO . . . . . Keith McCarthy

## SUPERVISORY COMMITTEE

Acting Chairperson . . . . . Kim Jones  
Committee Member . . . . . Frank Cautero  
Committee Member . . . . . Dominick Moreo  
Committee Member . . . . . Lawrence Pinder  
Committee Member . . . . . Rudolph Sabatino

## MISSION

*Caring about our family of members by offering financial solutions to help them achieve their goals and realize their dreams.*

## Branches & Locations

Denville Branch      Monday–Friday: 9:00am–5:00pm  
340 E. Main Street      Saturday: 8:30am–12:00pm  
Denville, NJ 07834      ATM (Drive Up)

Rockaway Branch      Monday–Friday: 9:00am–5:00pm  
100 Mineral Springs Drive      Saturday: 8:30am–12:00pm  
Dover, NJ 07801      ATM

Mt. Olive Branch      Monday–Friday: 9:00am–5:00pm  
10 International Drive South      Saturday: 8:30am–12:00pm  
Flanders, NJ 07836      ATM (Drive Up)

Parsippany Branch      Monday–Friday: 9:00am–5:00pm  
200 Baldwin Road      Saturday: 8:30am–12:00pm  
Parsippany, NJ 07054      ATM

Arsenal Branch      Monday–Wednesday and Friday: 8:00am–3:30pm  
Building 30 South      Thursday: 9:00am–5:00pm  
Picatinny Arsenal, NJ 07806      ATM

