



2014

annual report

rain or shine

we've got you covered



service1st[®]

Federal Credit Union | Friends you can bank on.

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Letter from the Chairperson and President/CEO

Covered means enclosed, protected, sheltered and shielded. The phrase, "We've got you covered!" took on special meaning for Service 1st in 2014. We expanded our coverage area, provided assistance to members recovering from a hail storm, helped members save over a million dollars through financial check-ups and continued efforts to make our communities stronger. All of these important tasks were completed while being good stewards of our members' money and showing strong financial performance.

Our branch network expanded to eight when our Mifflinburg Office opened in May 2014. The highly visible location at 52 East Chestnut Street, offers a second, convenient branch for members and businesses we serve in Union County. The open design allows for more personal interaction with members. The full-service Automatic Teller Machine (ATM) has logged nearly 9,000 transactions and accepts cash and check deposits.

We needed more than an umbrella to protect us from Mother Nature when a hail storm hit a portion of our service area in late May 2014. Many members suffered extensive damage to their automobiles and homes. The Service 1st team was quick to assist these members through our expertise in processing insurance checks, as well as assisting many in the search for a new automobile.

Our Community Savings Challenge (Challenge) saved members a record \$1,189,000 in the first six months of 2014. As part of the Challenge, Service 1st members were asked to participate in a free, five minute financial checkup. We not only exceeded our goal to identify savings opportunities for members, we were able to continue the credit union philosophy of 'People Helping People'. Following their checkup, members voted for a charity to receive a portion of a \$5,000 donation. Recipients of our 2014 Community Savings Challenge donations included: The Wilkes-Barre VA Medical Center; The Women's Center, Bloomsburg; Relay for Life, Selinsgrove; The Saving Grace Shelter, Williamsport and the Eastern Union County Supplemental Food Program, Lewisburg.

Our commitment and outreach to the community continued to be strong in 2014. Our Charity Golf Tournament celebrated its 21st Anniversary by raising \$30,000. Over 2,800 rubber ducks set sail on the Susquehanna River, raising approximately \$15,000 for our 3rd Annual Charity Duck Derby, which supports our Charity Golf Tournament. We held a Reality Fair (Fair) at the Danville High School in cooperation with the Pennsylvania Credit Union Foundation. The Fair teaches students about the importance of budgeting and planning for the unexpected, while providing them with real world scenarios where they are challenged to make tough financial decisions.

We offered new ways of showing our community support in 2014. We held a good deeds campaign to surprise people in little ways to make their days just a bit brighter: filled their gas tank, purchased groceries, and offered gift cards. We also teamed up with the Old Forge Brewing Company to raise prostate cancer awareness with our first annual Pints for Prostates campaign. The event raised over \$4,200.

Consistent strong financial performance provides the foundation necessary to expand to meet the needs of our members and communities. Our assets increased 8.6% to \$244 million. Both saving and total outstanding loan balances increased nearly 10.0%. Membership growth was 5.7% as we added 3,122 new members in 2014. Our return on average assets, one key measure of the overall financial health of a financial institution, was 0.52%. Our peer group average during this same time was 0.59%. Our net worth to asset ratio was 8.9%, indicating we are well capitalized. We earned a positive report and rating from the National Credit Union Administration (NCUA), our federal regulatory agency. The report from NCUA, as well as our financial trends, show sound financial management.

"We've got you covered!" is our way of saying we are committed to helping our members and our community achieve their goals. We are dedicated to providing exceptional service to our members, while continuing to expand our product and service offerings to meet your needs all under the umbrella of sound financial management. It's our promise to you.



Dave Cutright, Chairperson of the Board
Bill Lavage, President/Chief Executive Officer

Board of Directors

BACK ROW (L-R):

Bill Lavage, President/CEO; **Lori Wilson**, Director; **David Cutright**, Board Chairperson; **Tracy Shirk**, Secretary; **Deborah Petretich Templeton, R.Ph.,MHA**, Director

FRONT ROW (L-R):

Harold Hurst, Director; **Kathy Linn**, Director; **Steven Endress**, Vice Chairperson; **Eric Polczynski**, Supervisory Committee Chairperson; **Barbara Criswell**, Treasurer; **O. Fred Miller, III, MD**, Director



Management Team



CLOCKWISE FROM LEFT:

Missy Peifer, Vice President Human Resources; **Jay Reed**, Chief Information Officer; **Christopher Court**, Vice President Accounting/Operations; **Karen Wood**, Chief Experience Officer; **Jeffrey Balestrini**, Chief Lending Officer; **Bill Lavage**, President/CEO; **Linda Brown**, Chief Administrative Officer; **Brett Johnson**, Vice President Lending; **Coleen Snover**, Assistant VP Training & Development; **Colleen Phillips**, Vice President Marketing; **Dave Shope**, Assistant VP Business Development; **Elisabeth Taylor**, Assistant VP Audit & Compliance; **Michael Thomas**, Chief Financial Officer

2014 News and Events

1. Mifflinburg Branch Opens

Service 1st expanded its coverage area, opening its eighth branch location at 52 East Chestnut Street in Mifflinburg.

The 2,700 square foot building, known to locals as the "old bus garage," is now a full-service financial institution featuring an ATM, night depository, and state-of-the-art "Pod" service stations.

In November, the branch hosted a Business After Hours event with the Greater Susquehanna Valley Chamber of Commerce.

By the end of December, the Mifflinburg team welcomed 337 new member accounts.

2. Community Savings Challenge

The Community Savings Challenge made a difference in the lives of Service 1st members, as well as our community. This year the Challenge saved members \$1,189,000! As members completed their Challenge checkups, they had an opportunity to vote for charities to receive a portion of a \$5,000 donation. Benefactors of this year's Challenge included The Saving Grace Shelter, Williamsport; The Women's Shelter, Bloomsburg; Relay for Life, Selinsgrove; The Wilkes-Barre VA Medical Center, Wilkes-Barre; and The Eastern Union County Supplemental Food Program, Lewisburg.

3. Third Annual Charity Duck Derby

On Saturday, August 9, over 2,800 unassuming rubber duckies set sail on the Susquehanna River raising \$15,000. Funds raised at the event were combined with those raised later in the month at the Annual Charity Golf Tournament to benefit three local organizations.

4. 21st Annual Charity Golf Tournament

Friday, August 22, started as a typical day at Frosty Valley Country Club in Danville until 130 golfers, volunteers and sponsors arrived to help Service 1st raise \$30,000 to benefit three local organizations during the 21st Annual Service 1st Charity Golf Tournament.

Funds raised were combined with those donated during the credit union's Third Annual Charity Duck Derby and presented to The Janet Weis Children's Hospital, Nolan's Heart of Steel Fund and Montour County Veterans Affairs.

5. Service 1st Helps Members Respond to Hail Storm Damage

The Service 1st team helped affected members secure home equity loans, search for new vehicles and even offered loan payment extensions.

6. Ice Bucket Challenge

Sometimes "covered" means getting really cold for a great cause. The Ice Bucket Challenge went viral, fueled by social media and the desire to help those suffering from Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's Disease. Service 1st branches accepted the ALS Ice Bucket Challenge in August raising \$1,630.

7. Pints for Prostates

One may ask, "What could beards, blue nail polish, a brewpub and a credit union have in common?" In 2014, the answer was easy – raising prostate cancer awareness.

Together, we hosted two special awareness events at Old Forge Brewing Company, sold t-shirts and held raffles raising \$4,296 to benefit the Pints for Prostates organization.

8. Danville Primary School Student Wins National Savings Award

You are never too young to learn the benefits of saving! Addison French, a first grade student at Danville Primary School was presented with a Kindle tablet for keeping her pledge to save in 2014 as part of the School Savings™ program. School Savings is a national, in-school savings program sponsored by Service 1st at Danville Primary School.

Addison and fellow classmates pledged to make at least three savings deposits by the end of October in order to be eligible to win the national award.

School Savings encourages students to make weekly deposits at school. They receive stickers for making deposits into their Service 1st account. Through Service 1st's partnership with School Savings, students can qualify to win prizes throughout the year. Parents can work with their student to set savings goals and receive financial education through the School Savings website.

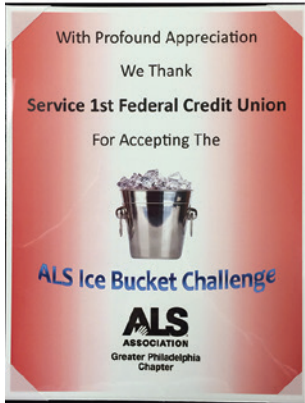
Service 1st Retirement & Investment Center



Offered by CUNA Brokerage Service Inc., the Retirement & Investment Center is available to members of Service 1st. **Gary Surak**, Vice President, Wealth Management, offers over 20 years of experience. The Retirement & Investment Center has grown to serve 1,127 members with \$72 million in total assets under management. Pictured with Gary is **Shawn Hays**, Registered Member Service Representative.*

*Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRASIPC, Not NCUA/NCUZF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution. FM-879276.1-0314-0416

2014 News and Events



TOP ROW (L-R): **1.** Members of the Mifflinburg Team; Barbara Criswell, Board Member; Bill Lavage, President/CEO; and Lori Wilson, Board Member officially open our Mifflinburg Branch. **2.** Mary Jo Martin, Assistant Vice President Loyalsock Market and Paula Warrender, Assistant Branch Manager, present a donation to the staff at Saving Grace Shelter as part of the Community Savings Challenge.

MIDDLE ROW (L-R): **3.** The Service 1st team preparing to kick off the Third Annual Charity Duck Derby! **4.** Nolan's Heart of Steel Fund was one of three benefactors receiving donations at our 21st Annual Charity Golf Tournament. (L-R) Bill Lavage, President/CEO, Matt and Nolan McLaughlin, and Mike Kowalick, Golf Committee Chair. **5.** In May, portions of our service area were affected by a storm that produced strong winds and large, damaging hail.

BOTTOM ROW (L-R): **6.** Service 1st proudly accepted the ALS Ice Bucket Challenge. **7.** Old Forge Brewing Company and Service 1st teamed up to raise prostate cancer awareness. (L-R) Damien Malfara, owner of Old Forge Brewing Company and Bill Lavage, President/CEO. **8.** Katie Kelley, Student Services Coordinator, presents first grade student Addison French with a National School Savings Award.

Statement of Income

As of December 31, 2014 and December 31, 2013 (Unaudited - Subject to revisions. *)

OPERATING INCOME	2014	2013	% Change
Income from Loans	\$9,823,844	\$9,293,456	5.7%
Income from Investments	189,792	201,811	-6.0%
Member Services Income	221,054	232,395	-4.9%
Mortgage Fee Income	114,344	174,458	-34.5%
Other Income	3,527,170	3,349,279	5.3%
TOTAL OPERATING INCOME	13,876,204	13,251,399	4.7%
 OPERATING EXPENSES			
Employee Compensation	3,647,726	3,531,840	3.3%
Employee Benefits	1,032,439	906,688	13.9%
Travel and Training	140,160	118,950	17.8%
Association Dues	79,993	68,850	16.2%
Office Occupancy	645,969	551,533	17.1%
Office Operations	1,508,737	1,425,039	5.9%
Marketing	554,039	491,848	12.6%
Loan Servicing	986,190	930,507	6.0%
Professional & Outside Services	481,902	455,937	5.7%
FIS Operating Expense	1,091,640	881,032	23.9%
Provision for Loan Losses	951,986	556,659	71.0%
Interest on Borrowed Funds	3,555	9,282	-61.7%
NCUA Operating Fee	41,350	46,948	-11.9%
Annual Meeting	30,178	27,515	9.7%
Other Expenses	85,316	122,539	-30.4%
NCUSIF Stabalization Expense	-	145,823	-100.0%
TOTAL OPERATING EXPENSES	11,281,180	10,270,990	9.8%
NET OPERATING INCOME	2,595,024	2,980,409	-12.9%
 NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	(28,644)	8,310	-444.7%
Gain (Loss) on Disposal of Assets	(192,258)	(11,173)	1620.7%
TOTAL NON-OPERATING INCOME (EXPENSE)	(220,902)	(2,863)	7615.8%
 ALLOCATION OF INCOME			
Net Income Before Dividends	2,374,122	2,977,546	-20.3%
Dividends	1,145,137	1,083,267	5.7%
NET INCOME AFTER DIVIDENDS	\$1,228,985	\$1,894,279	-35.1%

Statement of Financial Condition

As of December 31, 2014 and December 31, 2013 (Unaudited - Subject to revisions.)*

ASSETS	2014	2013	% Change
VISA Loans	\$ 6,508,805	\$ 6,627,088	-1.8%
Home Equity Loans	76,927,810	68,000,507	13.1%
Commercial/Business Loans	21,801,729	21,247,722	2.6%
Auto Loans	63,495,712	56,940,628	11.5%
Student Loans	6,657,708	7,273,484	-8.5%
All Other Loans	36,090,876	32,228,865	12.0%
Total Loans	211,482,640	192,318,294	10.0%
Allowance for Loan Losses	(1,236,536)	(1,071,014)	15.5%
NET LOANS OUTSTANDING	210,246,104	191,247,280	9.9%
Cash	3,344,207	3,024,855	10.6%
Investments	16,249,738	16,499,694	-1.5%
Other Assets	14,254,349	14,032,273	1.6%
TOTAL ASSETS	\$ 244,094,398	\$ 224,804,102	8.6%
LIABILITIES			
Total Liabilities	\$ 1,560,508	\$ 3,092,027	-49.5%
EQUITY			
Certificates	32,294,897	29,616,846	9.0%
Checking	37,601,748	32,556,426	15.5%
Money Market Accounts	59,174,591	57,660,197	2.6%
IRAs	19,302,797	17,064,494	13.1%
All Other Savings	72,417,840	64,414,126	12.4%
Total Shares	220,791,873	201,312,089	9.7%
Reserves	1,234,273	1,234,273	0.0%
Undivided Earnings	20,360,903	19,131,918	6.4%
Reserve for Investment Gain/Loss	146,841	33,795	334.5%
TOTAL LIABILITIES AND EQUITY	\$ 244,094,398	\$ 224,804,102	8.6%

We have reviewed the financial statements and, based on our knowledge, the statements are true and fairly present in all material respects the credit union's financial condition, results of operations and cash flows.

William J. Lavage, President/CEO

Michael P. Thomas, Chief Financial Officer

*Copies of audited financial statements are available upon request.



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