



2018 ANNUAL REPORT

Equal Housing Lender
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letter from the chairperson and president/ceo

We are pleased to report Service 1st continued to achieve growth and success in 2018. Along the way, we achieved a few remarkable milestones and maintained strong financial performance; all by keeping our core values in the forefront.

Supporting our community is important to us. It is where we live, work and raise our families. We supported several charities and events in 2018 to enhance our community. Our Annual Charity Golf Tournament celebrated its 25th Anniversary by raising \$56,000 to support Janet Weis Children's Hospital, ThinkBIG® Pediatric Cancer Fund and Geisinger's Autism and Developmental Medicine Institute. Our 7th Annual Duck Derby played an important role in contributing \$16,000 to the overall total of funds raised for our golf tournament. Over \$450,000 has been raised in the past 25 years of hosting the golf outing. In September, local businesses, organizations and communities joined together to "Go Gold," raising awareness about pediatric cancer and donating \$20,000 to support the ThinkBIG® Pediatric Cancer Fund. The Service 1st March of Dimes team contributed over \$18,000 to support the 2018 March for Babies, helping moms and babies thrive and survive.

Part of our growth was the result of a merger with another local credit union. In June 2018, we welcomed the members of NU Community Credit Union to the Service 1st family as a result of a merger approved by the membership, the Pennsylvania Department of Banking and the National Credit Union Administration, our federal regulatory agency. The addition of the Montandon Office marked our 11th full-service location.

Service 1st continued to demonstrate strong financial performance in 2018. In comparing our financial performance to our credit union peers nationally, we significantly outpaced our peer growth in assets, savings, loans and membership growth! Our total assets grew to \$378 million, a 12% increase, while our peers grew 4%. Our total deposits increased to \$336 million while loans grew to \$337 million, an increase of 12% and 15% respectively. Peer total deposit and loan growth was 3% and 8%, respectively. Our number of members exceeded 33,850 marking a 17% increase; this includes the addition of the members from NU Community Credit Union. Peer membership growth was 3%. Return on Average Assets (ROA) is one measure of the financial health of a financial institution. Service 1st's ROA in 2018 was 1.5%. Peer ROA was 0.7%.

We earned some noteworthy accolades in 2018. Board member, Barbara Criswell was presented with the Pennsylvania Credit Union Association's top award for volunteers, the Joseph A. Moore Award for the 2018 Outstanding Volunteer of the Year. Criswell is the founder of Service 1st FCU in Danville and has served on its board intermittently since 1975. Service 1st was named the "Best Bank/Credit Union" and "Best Customer Service" in the Valley as part of The Daily Item's Best of the Valley Readers' Choice Contest. This is the second consecutive year Service 1st has been voted the Best Bank/Credit Union in the Valley. The Pennsylvania Credit Union Association selected us for two prestigious awards. We received the first place 2018 Desjardin Youth Award for youth financial education and an honorable mention in the Dora Maxwell Social Responsibility Community Service Award for community involvement.

We thank our volunteers and team members at Service 1st for their commitment and dedication. They carry out our mission by adhering to our core values in everything they do. Looking ahead, we plan to open our 12th office in Elysburg in the spring of 2019.

Finally, we are honored with the trust you place in us, which is the key reason for our continued growth and success.



Bill Lavage, President/Chief Executive Officer
Steven Endress, Chairperson of the Board



management team

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



board of directors

(L-R): Tracy Shirk, Vice Chairperson; Deborah Petretich Templeton, R. Ph., MHA, Secretary; Harold Hurst, Director; Greg Burke, MD, FACP, Director; Steven Endress, Board Chairperson; Eric Polczynski, Supervisory Committee Chairperson; Kathy Linn, Director; Lori Wilson, Director; Barbara Criswell, Director; Bill Lavage, President/CEO; David Cutright, Treasurer.



LEFT TO RIGHT:

Ed Moyer, Registered Member Service Representative; **Missy Thomas**, Registered Member Service Representative; **Gary Surak**, Vice President, Wealth Management; **Matt Gardill**, Registered Member Service Representative; **Shawn Hays**, Registered Member Service Representative.

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2018 highlights

TOP ROW (L-R): 1. During September, a number of local businesses, organizations and communities joined together to “Go Gold,” raising awareness about pediatric cancer. This year, with support from the community, Going Gold 2018 raised \$20,000 to benefit the ThinkBIG® Pediatric Cancer Fund! **2.** Service 1st held its 25th Annual Charity Golf Tournament at Frosty Valley Country Club in Danville, raising \$56,000 to benefit the Janet Weis Children’s Hospital, the ThinkBIG® Pediatric Cancer Fund and Geisinger’s Autism and Developmental Medicine Institute.

MIDDLE ROW (L-R): 3. On June 1, 2018 we merged with NU Community Credit Union. Conversion was completed on August 1 and in December, we celebrated with an open house and ribbon cutting. **4.** Service 1st held the annual Financial Reality Fair at the Danville Area High School. During this real-world simulation event, students are given a specific budget, and have to figure out for themselves the challenges of affording everyday items such as a car, insurance, clothing and furniture.

BOTTOM ROW (L-R): 5. Service 1st’s mascot Crissie was excited to be part of the parade welcoming the players, families, coaches and communities coming together to celebrate the Little League World Series in Williamsport. **6.** We celebrated our sixth year as the Platinum Sponsor for Susquehanna Valley’s Spring 2018 March for Babies Walk, held at Geisinger Medical Center in Danville. Together, with the support of employees, members and the community, Service 1st contributed nearly \$18,000 to benefit the March of Dimes.



Statement of income

	2018	2017	% Change
OPERATING INCOME			
Income from Loans	\$14,660,336	\$12,115,338	21.0%
Income from Investments	676,523	376,802	79.5%
Member Services Income	243,764	238,065	2.4%
Mortgage Fee Income	143,116	193,415	-26.0%
Other Income	5,625,854	4,812,696	16.9%
TOTAL OPERATING INCOME	21,349,593	17,736,316	20.4%
OPERATING EXPENSES			
Employee Compensation	5,885,701	5,058,308	16.4%
Employee Benefits	1,392,366	1,238,606	12.4%
Travel and Training	160,365	172,365	-7.0%
Association Dues	98,509	85,709	14.9%
Office Occupancy	810,579	765,088	5.9%
Office Operations	1,923,217	1,715,129	12.1%
Marketing	755,201	648,446	16.5%
Loan Servicing	1,145,940	1,068,917	7.2%
Professional & Outside Services	556,534	614,960	-9.5%
FIS Operating Expense	1,358,249	902,595	50.5%
Provision for Loan Losses	(81,800)	558,300	-114.7%
Interest on Borrowed Funds	94,979	91,484	3.8%
NCUA Operating Fee	89,435	70,004	27.8%
Annual Meeting	21,083	24,686	-14.6%
Other Expenses	157,657	126,191	24.9%
NCUSIF Stabilization Expense			
TOTAL OPERATING EXPENSES	14,368,015	13,140,788	9.3%
NET OPERATING INCOME	6,981,578	4,595,528	51.9%
NON-OPERATING INCOME (EXPENSE)			
Gain (Loss) on Investments and CUSO	0	0	—
Gain (Loss) on Disposal of Assets	(46,782)	25	-187228.0%
TOTAL NON-OPERATING INCOME (EXPENSE)	(46,782)	25	-187228.0%
ALLOCATION OF INCOME			
Net Income Before Dividends	6,934,796	4,595,553	50.9%
Dividends	1,761,981	1,489,177	18.3%
NET INCOME AFTER DIVIDENDS	\$5,172,815	\$3,106,376	66.5%

Statement of financial condition

As of December 31, 2018 and December 31, 2017 (Unaudited - Subject to revisions. *)

ASSETS	2018	2017	% Change
VISA® Loans	\$ 8,967,143	\$ 7,626,811	17.6%
Home Equity Loans	106,669,594	95,171,079	12.1%
Commercial/Business Loans	43,438,538	38,673,143	12.3%
Auto Loans	120,547,881	98,286,207	22.6%
Student Loans	862,670	4,404,510	-80.4%
All Other Loans	57,205,221	49,530,282	15.5%
Total Loans	337,691,047	293,692,032	15.0%
Allowance for Loan Losses	(1,552,547)	(1,225,790)	26.7%
NET LOANS OUTSTANDING	336,138,500	292,466,242	14.9%
Cash	4,634,761	4,369,096	6.1%
Investments	21,240,584	25,285,452	-16.0%
Other Assets	16,251,979	15,075,844	7.8%
TOTAL ASSETS	\$ 378,265,824	\$337,196,634	12.2%
LIABILITIES			
Total Liabilities	\$ 7,166,444	\$ 7,144,820	0.3%
EQUITY			
Certificates	40,085,629	41,879,253	-4.3%
Checking	71,153,920	58,697,678	21.2%
Money Market Accounts	79,723,364	75,246,875	5.9%
IRAs	23,328,161	22,443,452	3.9%
All Other Savings	121,794,357	102,949,168	18.3%
Total Shares	336,085,431	301,216,426	11.6%
Reserves	1,424,933	1,234,273	15.4%
Undivided Earnings	33,581,565	27,219,189	23.4%
Reserve for Investment Gain/Loss	7,451	381,926	-98.0%
TOTAL LIABILITIES AND EQUITY	\$ 378,265,824	\$ 337,196,634	12.2%

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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