

2023 ANNUAL REPORT

LEADERSHIP REPORT

In 2023, Fort Financial achieved significant milestones amidst a backdrop of profound shifts in financial and economic landscapes. The year marked a period of notable change, with unprecedented alterations in financial strategies, influenced by factors such as interest rate hikes, inflation spikes and liquidity challenges.

The Federal Reserve implemented its most aggressive series of interest rate hikes in history, totaling 11 increases since March 2022, reaching levels unseen in over two decades. Concurrently, inflation soared, amplifying the cost of living for households across the nation.

These economic dynamics precipitated a substantial outflow of deposits and intensified competition among financial institutions for these resources. While those with surplus funds benefited from rising deposit rates, individuals without such reserves faced dwindling savings to cover expenses, exacerbating what is known as a liquidity crunch. The severity of these liquidity constraints contributed to notable bank failures, garnering widespread attention in early 2023.

Despite these challenges, Fort Financial navigated through the turbulence, demonstrating resilience and adaptability. Members with excess savings enjoyed attractive certificate rates exceeding 5%, while enhancements to money market rates and the introduction of a top-tier rate for higher balances further strengthened our offerings.

Addressing concerns over delinquency, Fort Financial upheld stringent underwriting standards introduced in 2022, focusing on direct lending to members rather than through auto dealerships. Though this strategy resulted in a decrease in lending activity, it helped mitigate liquidity pressures and contributed to a reduction in delinquency rates from 3.27% to 2.39% by the end of 2023.



Milestones

Bringing financial goals to life one member at a time

25,837

Members

\$343M

Assets

\$74M

New Loans

\$10M

New Business
Loans

\$23M

New Mortgage
Loans

LEADERSHIP REPORT

Expanding our digital footprint, we introduced a new business account mobile app, real-time payments for online bill pay and text-based communication services, enhancing convenience and efficiency for our members. The integration of "My Offers" into our online and mobile platforms streamlined the lending process, providing members with instant access to pre-qualified loan offers.

Furthermore, our commitment to community service and financial inclusion was recognized by the U.S. Treasury, which awarded Fort Financial a \$2.4 million grant to support lending initiatives in underserved communities over the next five years.

Looking ahead, our focus remains on expanding digital services, maintaining exceptional member service and employee engagement, and fostering stronger financial relationships with our members. With

optimism and dedication, we aim to continue being the preferred financial partner for our members, offering trusted guidance and support in their financial journey.

Sincerely,

Jeff Leichty, Board Chairman
Steve R. Collins, President and CEO

Board of Directors

Jeff Leichty, Chair
Shelly Musolf, Vice Chair
Tammy Long, Treasurer
Sarah Delgadillo, Secretary
Steve Collins, Member
Darius Darling, Member
Bryan Sharp, Member
George Eldridge, Emeritus Member
Matt Carsten, Associate Member
Greg Martin, Associate Member

Supervisory Committee

Karen Platt, Chair
Val Eakins
Elise Faber
Leah Stoffel

Executive Team

Steve Collins, President/CEO
J. Arnold, SVP, Chief Lending Officer
Michael Stratton, CFO/VP of Strategic Services
Rob Anderson, VP of Information Technology
Jessica Davis, VP of Member Experience

TREASURER'S REPORT

For the year ended 2023, the credit union had a net income of \$3,351,505. This was an increase of over \$200,000 or 3.12% from 2022. During the year, interest income from loans and investments was \$16,783,430, which was an increase of \$1.2MM. While loan volume was lower in 2023, this was offset by higher interest rates on new loans and investments causing the increase in interest income. The higher interest rates also resulted in dividend expense increasing by \$1.3MM from \$583,924 to \$1,864,442.

Total operating expenses for the year were \$16,349,231, which was an increase of only 2.51%. During 2023 inflation hovered around 4%, and the credit union finished its new corporate office and a new branch in Parkwest Plaza. Being able to keep operating expense growth at such a low rate under such circumstances once again demonstrates the credit union's ability to effectively manage overall operating expenses. Total other operating income was \$8,840,737, which was an increase of 5.35% over 2022.

Loans outstanding to our members ended the year at \$276.0MM down \$5.4MM or 1.92% from 2022. Most of the decrease was due to a concerted effort by the credit union to reduce its reliance on indirect auto loans and focus more on serving the borrowing needs of our existing and future members. In 2023 because of higher interest rates, total deposits grew by 2.47%, ending the year at \$303.4MM.

In summary, faced with a difficult interest rate environment and major facility updates, the credit union was able to again achieve strong earnings while providing very competitive loan and deposit rates to meet the financial needs of our membership. The credit union continues to be classified as well capitalized by the NCUA with a capital ratio of 10.55% as of the end of 2023. Our current level of capital continues to provide us adequate reserves to protect against most financial crises, while not being too large that it would restrict future growth.



Strengthening Our Team

Fortifying our employees and service to you

100

Employees

15

Employee
Promotions

2,300+

Professional
Development Hours

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is responsible for the continued review of credit union activities, ensuring that financial records are accurate and internal controls are in place to protect the credit union and our member's assets. The Committee accomplishes this by overseeing various audits, financial analysis and procedural reviews.

The credit union engaged with an outside CPA auditing firm to conduct an audit of the December 31, 2023 financial statements. Their previous audit did not disclose any material discrepancies and indicated that accounting records are maintained in accordance with generally accepted accounting principles and federal credit union guidelines.

We appreciate our members' involvement and commitment to Fort Financial Credit Union. The Committee pledges to remain current on credit union issues and respond to any questions in 2024.

Karen Platt
Val Eakins
Elise Faber
Leah Stoffel



Community Engagement

Proudly serving in all of our communities

362

Community
Service Hours

\$83,976

Partnerships and
Sponsorships

154

Financial Education
Presentations

FINANCIAL STATEMENT

Assets	2023	2022
Credit card loans	18,808,812	15,143,940
Real estate loans	87,330,187	79,776,604
All other loans	169,873,095	186,493,530
Allowance for loan loss	(4,499,114)	(4,570,735)
Cash on hand	2,803,976	4,587,636
Investments	33,878,583	26,222,277
Land and building	22,308,174	19,334,616
Other assets	12,955,951	10,521,662
Total Assets	343,459,664	337,509,530

Equity and Liabilities	2023	2022
Liabilities		
Certificates	59,993,434	29,645,905
Share drafts	62,127,338	66,218,640
IRAs	16,061,462	13,514,369
All other deposits	165,221,946	186,697,952
Total Deposits	303,404,180	296,076,866

Other liabilities	6,138,053	12,066,346
Equity capital	33,917,431	29,366,318
Total Equity and Liabilities	343,459,664	337,509,530

OPERATING STATEMENT

Income	2023	2022
Interest on credit cards	1,521,462	960,820
Interest on other loans	14,876,800	14,385,165
Income on investments	385,168	316,886
Miscellaneous income	8,840,737	8,391,382
Other gains or losses	14,526	209,936
Total Income	25,638,693	24,264,189

Expenses	2023	2022
Salaries (wages)	6,033,646	5,976,308
Benefits	2,193,357	1,569,896
Travel & conference	228,049	226,961
Association dues	36,527	33,633
Office occupancy	1,227,020	772,100
Office operations	4,233,084	3,939,117
Loan servicing	1,840,169	2,408,070
Outside services	619,359	857,427
Operating fee (NCUA)	53,711	52,447
Miscellaneous	(115,691)	113,222
Total Operating Expenses	16,349,231	15,949,181

Distribution of Income	2023	2022
Dividends (all accounts)	1,864,442	583,924
Provisions for loan losses	3,828,055	4,420,986
Interest on borrowed money	245,460	59,929
Net Income to Undistributed Earnings	3,351,505	3,250,169



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