



FREEDOM FIRST CREDIT UNION

2014 ANNUAL REPORT



Our Mission: Helping our members prosper—helping our communities thrive.

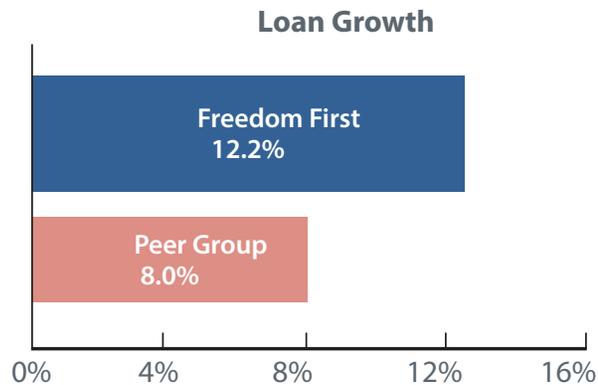
Our Purpose: Freedom First is a member-owned, democratically operated, not-for-profit organization managed by a volunteer board of directors, with the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means. The purpose of this Credit Union is to promote thrift among its members by affording them an opportunity to accumulate their savings and to create for them a source of credit for provident, business, or productive purposes.

Our Team: Nearly 180 people who embody our mission as they live, work, play, and serve in Virginia's Valley Region. At Freedom First, the staff, management, and all-volunteer board are all dedicated to helping their fellow members prosper and helping their communities thrive.



CHAIRMAN/CEO REPORT

We are pleased to report that your Credit Union had another successful year in 2014. Robust loan and deposit growth coupled with strong earnings drove excellent operating results well above those of our peers.



Outside of our day-to-day operations, Credit Union developments during 2014 focused on three primary areas: convenience, communication, and business services. Our goal was to increase member engagement by making it easier than ever for consumer and business members to bank with us through our branches and online/mobile services. Our efforts were well-placed, as your feedback and continued patronage helped our solid growth to continue.

At Freedom First, our business decisions are guided by our mission and governed by our core values. We seek input from you, our members, through surveys and other means,

and we use that feedback to inform our management decisions. This ensures that we continue to deliver the solutions and service our members expect.

Convenience. Your Credit Union made a fundamental shift in 2014 from paper to digital. At first glance, this change is most apparent in our communications, but it has streamlined many of our behind-the-scenes operations as well, simplifying your banking experience and giving you results more quickly.

Members can now open accounts online and provide an electronic signature for many agreements. This ability is in addition to the Mobile Plus mobile banking app we launched in 2014, meaning members can now manage their accounts as well as open new ones on their time, from any location.

Our new mobile check deposit service, Deposit Anywhere, came online in 2014 after an extended development period that enables funds to be available typically within 15 minutes or less. Feedback from our members assures us that the wait for the enhanced service was worth it, as the faster transaction time means their funds can be used sooner.

In 2013, we began issuing debit cards directly from our Operations Center, significantly decreasing the wait time for new cards. In 2014, we further streamlined the process by enabling members to change their PIN by telephone instead of having to visit a branch.

Electronic and online conveniences such as these are vital for your Credit Union to remain competitive, but 2014 reinforced for us the belief that physical presence is just as important to our members as online convenience.

Freedom First's long-planned West End branch opened in early 2014. Roanoke City's West End now has unprecedented access to a unique hub for financial services, educational opportunities, and healthy lifestyle activities. As a designated Community Development Financial Institution (CDFI), a core mission for Freedom First is to invest in the growth of the areas it serves through providing credit and community development assistance. The West End branch and facility fulfills that mission and serves as a model for other entities with similar goals.

The project was made possible through federal and local funding as well as the active engagement and support of neighborhood residents, the faith community, and local businesses and community action agencies. Roanoke City Manager Chris Morrill called the West End branch and project "a shining example of what can be accomplished through innovative planning and collaboration." It represents the ways public and private entities can, and should, work together to create positive change.

Along with the West End branch, Freedom First opened a full-service branch in Roanoke County in 2014. The Tanglewood branch opened at a time when other financial institutions were leaving our region or merging with larger financials based outside Virginia. We had been researching sites for some time to locate a new branch in Tanglewood's high-traffic, high-visibility corridor. Now our Southwest Roanoke County and Franklin County members have a nearby, commute-friendly branch to serve them.



Communication. As noted above, the shift from paper to digital is most apparent in how we communicate with our members. The new *www.freedomfirst.com* website launched in 2014 and serves practically as its own branch. It hosts online banking and bill pay and includes a growing library of how-to and other informational articles and videos. The site's responsive design allows it to conform to any device's screen, minimizing scrolling and enhancing your experience.

Your Credit Union also began sending newsletters via email in 2014, allowing members to quickly read about and access the Credit Union news, information, and online applications that interest them.

We upgraded our in-branch communications from multiple flyers and handouts to a screen that includes weather and news reports as well as information about Freedom First products and services.

Business Services. As described on the following pages, Freedom First expanded our business banking services to include the full range of offerings our members need to establish and grow their businesses. The new economy emerging from the recent economic downturn is one that encourages and rewards entrepreneurs and small, well-managed businesses.

The comprehensive suite of accounts, services, and loans we have made available to businesses means that Freedom First is well-placed to become the business banker of choice in our region.

Looking Ahead. Your Credit Union is now one of the few remaining locally owned and operated financial institutions with the capacity to deliver the products and services our diverse consumer and business members require.

Our intent in 2015 and beyond is to continue to reward our members for choosing to bank with us. Those rewards will come in the form of more convenient, easy-to-use online and mobile features and exemplary service every day in our physical branches and through our Contact Center.

Those rewards will also come in the form of new products and services that you ask for and changes we implement in response to your feedback. From our website to our social media to our member surveys, we solicit and encourage you to share your thoughts and reflect on your banking experience with us. We are member-owned and democratically operated; your opinion is very valuable to us.

And those rewards will come in the form of partnerships and projects that we develop with other businesses and nonprofit organizations that allow us to continue to reach the communities and individuals who need Freedom First the most.

Our members know that choosing to bank with Freedom First is a choice to Bank for Good. Your Credit Union is not only more convenient and a better value for you, it also is an opportunity to participate and guide our mission. Thank you for *helping our members prosper and helping our communities thrive.*



Nelson Shibley
Nelson Shibley, Chairman



Paul Phillips
Paul Phillips, President/CEO

Freedom First significantly expanded its business offerings in 2014. Our full suite of deposit and loan products to business members is complemented by services tailored to meet the needs of small and large businesses in the Roanoke and New River Valleys.

BUSINESS SERVICES

Like our consumer members, Freedom First's business members require convenient and supportive services that allow them to do their banking when and where it is most efficient for them. That's why the services we offer our business members are designed to help them build and grow.

Our business online banking platform offers enhanced security, multiple user privileges, compatibility with Quicken software, and direct deposit. In addition to online banking, business members have access to our full-service branch network and telephone banking options.

Among the most widely used of Freedom First's business services is free returned check collection. This service returns to the business member 100% of what it collects from their customers' returned checks. Businesses can quickly track returned checks online without committing the time and resources historically required to pursue those funds, allowing them to focus on their next sale instead of their previous sale.



BUSINESS SERVICES: solutions for every business

BUSINESS BANKING



They're doing a fantastic job, and that allows us to do a fantastic job.

~Scott Felts, business owner



BUSINESS CHECKING

Freedom First offers its business members a suite of business checking options, from simple checking with no monthly maintenance fee to analysis checking for businesses with more complex needs. A nonprofit checking account for 501(c)(3) organizations offers unlimited processing and no monthly maintenance fee.



BUSINESS CHECKING: simple, standard, analysis, nonprofit



BUSINESS MONEY MARKET

In 2014, Freedom First began offering business members a Money Market account in addition to standard deposit accounts. The intent was to allow businesses to earn a higher yield while keeping their funds liquid. The low minimum deposit of \$5,000 made the opportunity accessible even to smaller businesses.



BUSINESS MONEY MARKET: no long-term commitment



BUSINESS LENDING

Freedom First's business lending has always included VISA credit cards and vehicle/equipment loans, but now it includes loans for working capital. Working capital gives business members the funds they need to grow their operations.

Freedom First is proud of its commercial lending and business real estate loans, which allow local businesses to put down roots, expand their footprint, and hire more workers. This helps the business and the local economy grow.



BUSINESS LENDING: custom underwriting, local decisions





IMPACT BANKING

Following a year in which the Credit Union National Association named Freedom First the national *Community Credit Union of the Year*, we continued to refine our Impact Banking product line in 2014 to meet the changing needs of the communities we serve.

We created a workforce development loan in partnership with Virginia Western Community College and local businesses. This education loan is used by both young adults starting their careers and experienced workers who are retraining in new career fields.

We also expanded our award-winning Responsible Rides program into Franklin County, Virginia, by partnering with STEP, Inc., the rural county's nonprofit clearinghouse for social services.

To further accommodate area residents, we then established a weekly onsite presence at STEP. The previously underserved Franklin County population can now meet face-to-face with a personal banker and benefit from customized financial counseling.

RESPONSIBLE RIDES

This award-winning partnership between Freedom First and area businesses and nonprofits expanded into Franklin County in 2014.

RESPONSIBLE RIDES: 89 loans, average vehicle cost \$10,412



BORROW & SAVE

In 2014, Freedom First's Borrow & Save program joined a pilot program of the Filene Institute. Borrow & Save is a small-dollar loan (the average loan amount in 2014 was \$2,458) in which half of the funds are held in a savings account until the borrower pays down the other half. Borrow & Save builds credit while teaching the benefits of saving.

BORROW & SAVE: 211 loans issued in 2014



MICRO LOANS

In 2014, Freedom First loaned 560 borrowers small loans averaging \$1,549 to meet their financial needs.

MICRO LOANS: \$867,643 total loaned in 2014



CREDIT BUILDER

In 2014, new Freedom First members who had zero credit built up to an average credit score of 619 after only 6 months of Credit Builder participation.

CREDIT BUILDER: from 0 to 619 in six months

FINANCIAL EDUCATION

Long recognized in the community for our comprehensive and customizable financial education program, Freedom First won the Alphonse Desjardins Adult Financial Education award from the Virginia Credit Union League once again in 2014.



FINANCIAL EDUCATION: 1,896 individuals served in 2014



WORKFORCE DEVELOPMENT

Freedom First partnered with CDS Tractor-Trailer Training in 2014 to provide short-term, small-dollar loans to students earning their commercial drivers' license. CDS operates the program through Virginia Western Community College, and many students have job offers in the \$30,000-\$40,000 range before they even finish the program. The successful partnership expanded to Central Virginia Community College in 2014.



WORKFORCE DEVELOPMENT: 87 education loans issued



This partnership is a win for everyone. The students benefit the most by getting the credit they need to go to school and start working.

~Chris Pender, CDS



ALPHONSE DESJARDINS ADULT EDUCATION AWARD

For the second year in a row, the Virginia Credit Union League named Freedom First's comprehensive approach to adult financial education the best among all credit unions throughout the Commonwealth.

LOUISE HERRING PHILOSOPHY-IN-ACTION AWARD

Freedom First was named Virginia's best example of the credit union philosophy in action in 2014, largely due to its Roanoke West End branch and neighborhood revitalization project. The Credit Union went on to win second place in the national competition.

FILENE RESEARCH INSTITUTE/FORD FOUNDATION

Freedom First's Borrow & Save loan product was included as a pilot in the Filene Research Institute's accessible financial services incubator. The incubator is funded by a grant from the Ford Foundation.

CREDIT UNIONS CARE FOUNDATION OF VIRGINIA

The Foundation gave Freedom First a \$9,354 grant in 2014 to provide audiovisual equipment in the Community Education Room at the new West End branch.

AWARDS AND RECOGNITION



*Credit unions like yours...
bring the credit union
movement to life.*

*~Richard D. Pillow
VACUL President*





SCHOLARSHIPS: \$9,500 awarded in 2014

Charles Perkins Scholarships: \$3,000

This \$1,000 scholarship was given to three students in 2014. Megan Gauck plans to pursue a double major in biology and anthropology. Derek Litvak is a history major at Virginia Tech and a 3-year scholarship recipient. Sam Roller will pursue a Bachelor of Arts at UVA with a concentration in music technology.

Fritz Kehn Scholarship: \$1,000

Recipient Katherine King plans on a career in social work after completing her undergraduate degree at Radford University.

City of Salem/Frank Turk Scholarship: \$1,000

Jessica Plott will use this scholarship to aid her studies in the accelerated BSN program at Jefferson College of Health Sciences.

Torie Phillips Memorial Scholarship: \$1,000

This scholarship was given to Ciara M. Benz in 2014 as she graduated from Lord Botetourt High School.

Freedom First also contributes to the Virginia Tech Scholarship Fund and the “common good” scholarship given by the Cabell Brand Center for Global Poverty and Resource Sustainability Studies

SCHOLARSHIPS



Going back to nursing school has been a dream of mine.... I guarantee that the financial assistance will be put to good use as I will work my hardest to honor both Frank Turk and the Freedom First scholarship committee.

~Jessica Plott



Blue Ridge Literacy: \$5,000 to fund ENFOLD (English for Families from Other Lands), a program for refugee and immigrant mothers that includes literacy as well as support in navigating the culture, schools, and financial and healthcare systems.

City of Salem Farmers' Market: \$5,000 in matching funds for EBT users, making locally grown, healthy produce and food items available to more families in need.

Happy Healthy Cooks: \$5,000 to support the healthy foods initiative in five Roanoke elementary schools and five TAP Head Start classrooms.

The Jefferson Center Foundation: \$5,000 to support its onsite and mobile Music Lab and its Presenting Arts and Education Initiative, which give middle school and high school students access to guided and self-directed musical expression and training.



COMMUNITY GRANTS: \$32,000 awarded in 2014

LEAP for Local Food: \$5,000 to support the launch of a mobile farmers' market and increase awareness of benefits available to SNAP-EBT participants.

Radford Elf Shelf: \$2,000 to provide food vouchers and children's gifts to low-income individuals and families during the holiday season, thereby ensuring that they apply their own limited resources to their regular financial obligations.

Roanoke Community Garden Association: \$2,000 to support the establishment of a community garden in Roanoke's Gainsboro neighborhood, currently a food desert.

STEP, Inc.: \$3,000 to support the expansion of its VITA (Volunteer Income Tax Assistance) program to more eligible earners, including persons with disabilities, the elderly, and workers with limited English skills.

COMMUNITY GRANTS





Supervisory Committee
Freedom First Credit Union
Roanoke, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Freedom First Credit Union, which comprise the statement of financial condition as of March 31, 2014 and 2013, and the related statements of income, changes in members' equity, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Credit Union's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Credit Union's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freedom First Credit Union as of March 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nearman, Maynard, Vallez, CPAs

Nearman, Maynard, Vallez, CPAs
Miami, Florida
May 15, 2014

ASSETS

	March 31,	
	2014	2013
Cash and cash equivalents	\$ 5,629,749	\$ 5,358,325
Investments:		
Available-for-sale	12,891,266	13,264,840
Other	20,762,445	24,750,982
Federal Home Loan Bank (FHLB) stock	1,881,300	1,498,100
Loans held-for-sale	1,077,234	2,617,891
Loans receivable, net of allowance for loan losses	262,268,419	236,666,576
Accrued interest receivable	834,393	842,891
Premises and equipment, net	9,893,717	9,553,977
National Credit Union Share Insurance Fund deposit	2,330,433	2,140,201
Assets acquired in liquidation	363,600	790,147
Other assets	13,351,411	12,432,934
Total Assets	\$ 331,283,967	\$ 309,916,864

LIABILITIES AND MEMBERS' EQUITY

	March 31,	
	2014	2013
Liabilities		
Members' share and savings accounts	\$ 259,362,279	\$ 240,195,595
Borrowed funds	35,500,000	25,500,000
Interest payable	81,062	84,653
Accrued expenses and other liabilities	3,586,920	4,703,885
Uninsured secondary capital	-	9,278,000
Total liabilities	298,530,261	279,762,133
Commitments and contingent liabilities		
Members' Equity		
Regular reserve	5,751,716	5,751,716
Undivided earnings	26,377,465	23,745,972
Accumulated other comprehensive income (loss)	24,574	57,092
Equity acquired in merger	599,951	599,951
Total members' equity	32,753,706	30,154,731
Total Liabilities and Members' Equity	\$ 331,283,967	\$ 309,916,864

Consolidated Statements of Income

	March 31,	
	2014	2013
Interest Income		
Interest on loans receivable	\$ 13,753,852	\$ 12,708,425
Interest on investments	156,270	142,813
Interest income	13,910,122	12,851,238
Interest Expense		
Dividends on members' share and savings accounts	918,810	1,025,141
Interest on borrowed funds	964,989	1,103,515
Interest expense	1,883,799	2,128,656
Net Interest Income	12,026,323	10,722,582
Provision for Loan Losses	1,747,552	1,530,678
Net Interest Income After Provision for Loan Losses	10,278,771	9,191,904
 Non-Interest Income		
Fees and service charges	4,213,788	4,054,417
Other non-interest income	2,789,165	2,908,142
Gain on sale of mortgage loans, net	717,858	963,687
Gain on disposition of premises and equipment, net	4,655	-
Non-interest income	7,725,466	7,926,246
	18,004,237	17,118,150
 Non-Interest Expense		
Compensation and employee benefits	8,378,934	7,882,979
Operations	3,556,375	3,138,164
Loan servicing	975,873	1,012,425
Education and promotion	826,350	893,047
Occupancy	813,490	670,193
Loss on disposition of assets acquired in liquidation, net	382,139	247,896
Professional and outside services	253,148	190,733
NCUA assessment	186,435	203,319
Non-interest expense	15,372,744	14,238,756
 Net Income	\$ 2,631,493	\$ 2,879,394

Consolidated Statements of Members' Equity & Comprehensive Income

COMPREHENSIVE INCOME	March 31,	
	2014	2013
Net Income	\$ 2,631,493	\$ 2,879,394
Other Comprehensive Income or (Loss)		
Net unrealized holding (losses)/gains on securities arising during the year	(32,518)	54,734
Less reclassification adjustment for net losses/(gains) included in net income	-	-
	(32,518)	54,734
Comprehensive Income	\$ 2,598,975	\$ 2,934,128

MEMBERS' EQUITY	Regular Reserve	Undivided-Earnings	Accumulated Other Comprehensive Income (Loss)	Equity Acquired In Merger	Total
Balance, March 31, 2012	5,751,716	20,866,578	2,358	599,951	27,220,603
Net income	-	2,879,394	-	-	2,879,394
Change in unrealized gain/(loss) on securities	-	-	54,734	-	54,734
Balance, March 31, 2013	5,751,716	23,745,972	57,092	599,951	30,154,731
Net income	-	2,631,493	-	-	2,631,493
Change in unrealized gain/(loss) on securities	-	-	(32,518)	-	(32,518)
Balance, March 31, 2014	\$ 5,751,716	\$ 26,377,465	\$ 24,574	\$ 599,951	\$ 32,753,706

Consolidated Statements of Cash Flow

	March 31,	
	2014	2013
Operating Activities		
Net income	\$ 2,631,493	\$ 2,879,394
Adjustments		
Provision for loan losses	1,747,552	1,530,678
Depreciation and amortization of premises and equipment	1,076,320	852,797
Loss on disposition of assets acquired in liquidation, net	382,139	247,896
Gain on disposition of premises and equipment, net	(4,655)	-
Gain on sale of mortgage loans, net	(717,858)	(963,687)
Amortization of investment premiums/discounts	295,002	226,547
Amortization of deferred loan origination fees/costs	1,026,359	1,134,737
Changes in operating assets and liabilities		
Loans held-for-sale	1,540,657	(205,793)
Accrued interest receivable	8,498	(134,439)
Other assets	(918,477)	(3,703,436)
Dividends payable	(3,591)	(1,971)
Accrued expenses and other liabilities	(1,116,965)	2,108,859
Net cash provided by operating activities	<u>5,946,474</u>	<u>3,971,582</u>
Cash Flows from Investment Activities		
Purchases of:		
Available-for-sale securities	-	(13,385,647)
FHLB stock	(383,200)	(9,800)
Premises and equipment	(1,417,195)	(1,510,873)
Proceeds from:		
Maturities and paydowns of available-for-sale securities	46,054	161,373
Sale of premises and equipment	5,790	-
Sale of mortgage loans	29,342,612	46,513,087
Sale of assets acquired in liquidation, net	1,378,977	1,109,000
Net change in:		
Other investments	3,988,537	13,971,612
Loans receivable, net of charge-offs	(57,412,065)	(74,359,626)
Assets acquired in liquidation	(1,334,569)	(1,588,873)
NCUSIF deposit	(190,232)	(140,168)
Recoveries on loans charged off	411,557	80,145
Net cash used in investing activities	<u>(25,563,734)</u>	<u>(29,159,770)</u>

Consolidated Statements of Cash Flow, continued

	2014	March 31, 2013
Cash Flows from Financing Activities		
Net change in members' share and savings accounts	19,166,684	21,086,818
Gross borrowing during the audit period	50,000,000	7,500,000
Gross repayments during the audit period	(40,000,000)	(2,500,000)
Repayment of uninsured secondary capital	(9,278,000)	-
Net cash provided by (used in) financing activities	<u>19,888,684</u>	<u>26,086,818</u>
Net Change in Cash and Cash Equivalents	271,424	898,630
Cash and Cash Equivalents at Beginning of Year	5,358,325	4,459,695
Cash and Cash Equivalents at End of Year	<u>\$ 5,629,749</u>	<u>\$ 5,358,325</u>
Supplemental Cash Flow Disclosures		
Dividends and interest paid	\$ 1,887,390	\$ 2,130,627
Loans receivable transferred to assets acquired in liquidation	<u>\$ 363,600</u>	<u>\$ 442,566</u>
Non-cash change in assets acquired in liquidation, net	<u>\$ (200,456)</u>	<u>\$ -</u>



Governance & Ethics Committee Report

Over the past 3 years, the Governance & Ethics Committee spearheaded a series of changes designed to improve the governance of your Credit Union. The changes included the addition of a new critical goal for Freedom First Credit Union: being a leader in corporate governance.

In order to measure progress toward that goal, the Committee adopted specific success measures for individual Board members and the Board as a whole. These measures begin with a rigorous nomination and election process that results in highly skilled and knowledgeable directors with diverse backgrounds, perspectives, and areas of expertise. Once elected to the Board, directors continue their education relevant to Credit Union business through internal coursework and external certifications.

As a whole, the Board's success will be measured through attendance and participation at regular, well-planned Board and subcommittee meetings, as well as through a mutually respectful and effective relationships with the Credit Union's President/CEO, to whom the Board provides direction, support, and accountability.

Your Board of Directors is committed to improving all aspects of the Credit Union to better benefit our members. That commitment includes continuously improving the way we govern.

Dan Merenda
Chairman, Governance & Ethics Committee

Supervisory Committee Report

The Credit Union's Supervisory Committee has the responsibility to determine that the operations of the Credit Union are carried out in accordance with the Federal Credit Union Act and the rules and regulations of the National Credit Union Administration. This year, we have directed an emphasis on internal controls, consumer compliance, fraud prevention, the Bank Secrecy Act, and other new rules that affect the Credit Union.

The Supervisory Committee engaged the services of a certified public accounting firm to perform a financial audit of the consolidated financial statements of the Credit Union and a verification of member accounts. Their financial audit report included an unqualified opinion as to the fair presentation of the Credit Union's financial statements. Based on their report and our own observations, we can report to you that Freedom First

Credit Union continues to maintain a safe and sound financial institution. The Supervisory Committee would like to thank you for your cooperation and support of the Credit Union.

Emily Faye Poff
Chairperson, Supervisory Committee

Nominations & Elections Committee Report

The Committee's deliberate and thorough search for interested and qualified candidates, combined with a robust screening process, resulted in six highly qualified nominees for the three open positions on the Board of Directors. The six nominees are: Gerald Barnes, Brent Cochran, Judith Harrison, Bruce Phipps, Nelson Shibley, and Wayne Strickland.

In response to feedback from members regarding the election process, the Committee engaged Credit Union staff in creating filmed interviews of each candidate. These interviews asked each candidate the same four questions regarding their relationship to Freedom First and their goals and qualifications as potential Credit Union Directors. The un-edited videos were included along with candidate biographies on the independent election vendor's website.

As indicated in notices the Credit Union made through multiple communication channels, there will be no voting at the 2015 annual meeting. Instead, voting will be accomplished online, by telephone, and by request for printed ballots from April 1-30, 2015.

The independent election vendor will present the election results to the Credit Union's Supervisory Committee, which will inform the Board Chairman, who will then announce the results at the Credit Union's Annual Meeting on May 7, 2015. Elected candidates will officially take office immediately after the Annual Meeting.

Dan Merenda
Chairman, Nominations & Elections Committee

Treasurer's Report

"Safe and Sound" and "Improve the Financial Lives of Our Members." These words represent the most important goals and objectives of the Board of Directors and Credit Union management and staff. To that end, I am proud to report that as 2014 came to a close, Freedom First was once again successful in its mission of "Helping our members prosper—Helping our communities thrive." While improving, the economy is still not bringing everyone along, and some still struggle each day.

Over the past 12 months, Total Assets increased from \$315,311,000 to \$356,760,000, an increase of \$41,449,000 or 13%. Loans to members increased from \$257,977,000 to \$289,773,000 or 12%, while shares increased from \$243,613,000 to \$274,549,000 or 13%. Our net income decreased slightly from \$3,186,000 to \$2,821,000, due primarily to investment in new facilities and equipment.

"Safe and Sound" continues to be reflected in a number of different ways. First, your Credit Union has been examined by our federal regulator and audited by Nearman, Maynard, Vallez, CPAs, which issued an unqualified opinion on the Credit Union's financial statements.

Second, Independent assessments conducted by C. Myers, Inc., indicate that the Credit Union will remain financially sound even after significant changes in market rates or credit risk.

Third, Freedom First's ALCO Committee and Board implemented a capital plan to help ensure compliance with NCUA's proposed risk-based capital regulation when it becomes effective.

All of these actions are to ensure that we hold each and every one of our members in the highest regard.

Consolidated financial statements for Freedom First Federal Credit Union are shown below. Questions regarding this information may be forwarded to Credit Union management or me. On behalf of myself as your Treasurer, and the entire Credit Union family, I want to express our sincere appreciation to the management and staff of Freedom First. This success would not be possible without their diligence and efforts.

Frank Turk
Treasurer

CONSOLIDATED STATEMENT OF CONDITION (UNAUDITED)		
\$ Amounts in Thousands		
	12/31/2013	12/31/2014
ASSETS		
Loans (net)	\$ 257,977	\$ 289,773
Cash	12,160	8,134
Investments	17,720	24,771
Other assets	27,454	34,082
Total Assets	\$ 315,311	\$ 356,760
LIABILITIES & NET WORTH		
Payables	\$ 39,008	\$ 46,686
Secondary capital	-	-
Member shares	243,613	274,549
Net worth	32,690	35,525
Total Liabilities & Net Worth	\$ 315,311	\$ 356,760

CONSOLIDATED INCOME STATEMENT (UNAUDITED)		
\$ Amounts in Thousands		
	12/31/2013	12/31/2014
INCOME		
Income from member loans	\$ 13,467	\$ 14,447
Investment & other income	7,779	7,921
Total Income	\$ 21,246	\$ 22,368
EXPENSES		
Operating expenses	\$ 14,633	\$ 15,873
Dividends & interest expenses	1,934	2,012
Loan loss provision	1,493	1,662
Total Expenses	\$ 18,060	\$ 19,547
NET INCOME	\$ 3,186	\$ 2,821

BOARD OFFICERS



Nelson Shibley
Chairman



Tim Sutphin
Vice Chairman



Frank Turk
Treasurer



Judith Harrison
Secretary

BOARD



Gerald Barnes
Director



Joseph Coyle
Director



Susan Hall
Director



Roger Journell
Director



Dan Merenda
Director

ALCO (Finance) Committee

Frank Turk
Gerald Barnes

Audit and Risk Committee

Joseph Coyle
Roger Journell

Corporate Responsibility Committee

Judith Harrison
Thomas Chapman (former Director)
Susan Hall

Employee Relations Committee

Judith Harrison
Susan Hall
Nelson Shibley

SUPERVISORY



Emily Faye Poff
Chairperson



Ira Hartman
Supervisor



Jay Lanz
Supervisor



Clint White
Supervisor



Michael Williams
Supervisor

LEADERSHIP TEAM



Paul Phillips
President/CEO



Sarah Andrews
EVP/COO



Keith Rickoff
EVP/CFO



Harvey D. Brookins, Jr.
EVP/CDO

Governance and Ethics Committee

Dan Merenda
Gerald Barnes

Lending Committee

Tim Sutphin
Frank Turk

Nominations and Elections Committee

Dan Merenda
Joseph Coyle
Emily Poff

Committee chairpersons are listed first.

BLACKSBURG

1204 South Main Street
Virginia Tech—Squires Student Center

CHRISTIANSBURG

417 North Franklin Street

DALEVILLE

1171 Roanoke Road

ROANOKE

5240 Valleypark Drive—Operations Center
5102 Williamson Road—Crossroads
4203 Electric Road—Tanglewood
2221 Colonial Avenue—Towers Shopping Center
1210 Patterson Avenue—West End Center
Steel Dynamics, Inc.
(exclusively serving the SDI workforce)

SALEM

1235 Electric Road
1900 Electric Road—LewisGale Hospital

VINTON

203 Virginia Avenue

(540) 389-0244 / (866) 389-0244



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